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In an Ocean of Reform, Ukraine Is an Island of Economic Catastrophe

By Lee Hockstader
WASHINGTON POST SERVICE
KIEV — Scene of some of the 20th century's worst man-made catastrophes, Ukraine is in the grip of another: an economic disaster that is fast transforming the rich rolling farmland of the steppe into a cradle of abject poverty.



NOT THIS TIME — A weeping woman trying to join an evacuation convo. Monday in Sarajevo was stopped by a Bosnian military policeman. The first major evacuation since May is to take a total of 642 people, mostly Serbs, to Belgrade in stages. Page 2.

Opposition to NAFTA Unites Uneasy Left

By Thomas B. Edsall
WASHINGTON POST SERVICE
WASHINGTON — The president of the international electrical workers union, William H. Bywater, does not shy from one of the toughest choices facing organized labor in the debate over the North American Free Trade Agreement.

Japan Lists 475 Business Regulations To Phase Out

By James Sterngold
NEW YORK TIMES SERVICE
TOKYO — A first salvo was fired Monday in what is likely to be a long battle to reduce the government's power over Japan's minutely regulated economy, as a commission appointed by the prime minister issued a list of 475 regulations that it said should be eased or eliminated.

Clinton's Lack of Interest Stymies His Foreign Policy Triumvirate

By Elaine Sciolino
NEW YORK TIMES SERVICE
WASHINGTON — They are three troubled men in search of a strategy: a cerebral former college professor, a gregarious former congressman and a careful lawyer cast in the roles of the United States' top national security advisers.

Champions of Eccentricity Put India in Record Book

By Edward A. Gargan
NEW YORK TIMES SERVICE
NEW DELHI — For 30 years, Romesh Sharma has raced toward glory, demolishing challengers, snuffing observers, troubling manicurists.



Taiwan police escorting Wang Jihwa, second from left, away from the plane he had hijacked Monday during a flight from Hangzhou to Fuzhou, on the Taiwan Strait in China. The bomb he threatened the crew with turned out to be bars of soap wrapped with electrical wire.

China-Taiwan Hijack Fever Vexes Beijing

By Patrick E. Tyler
NEW YORK TIMES SERVICE
BEIJING — A series of hijackings of mainland Chinese passenger jets to Taiwan continued Monday when a man using bars of soap to simulate explosives diverted an airliner with 59 people on board to Taipei's international airport.

Kiosk

Talks Shift to Cairo On Israel-PLO Pact

CAIRO (NYT) — Israeli and Palestinian negotiators resumed talks at a secluded location here Monday. The negotiations are to continue here on Tuesday and could then return to Taba, the resort on the Red Sea, according to official sources.

British Company Going Public Is Trying to Whip Up European Interest in Biotechnology Issues

A British company going public is trying to whip up European interest in biotechnology issues.

Special Report Privatization in Europe Is Confronting the Challenge of Recession

Privatization in Europe is confronting the challenge of recession.

Table with financial data including Dow Jones, Trib Index, and The Dollar exchange rates.

THE TRIB INDEX

Latin American Stock Markets Go Global

The International Herald Tribune World Stock Index, compiled by Bloomberg Business News, now tracks the five leading Latin American trading centers — Mexico, Brazil, Argentina, Chile and Venezuela. They form their own separate Latin American index, while representing five percent of the value of the Trib Index worldwide.

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# STATESIDE / THE PEROT FACTOR, YET AGAIN



Ross Perot greeting supporters after a speech attacking the North American Free Trade Agreement.

## Perot Cites Threat on His Life

WASHINGTON — Ross Perot says that he has been targeted for assassination by a "Mafia-like" group working for adoption of the North American Free Trade Agreement.

Speaking to 3,000 people cheering his anti-NAFTA message at a rally Sunday in Tampa, Mr. Perot said the FBI had relayed information that the unidentified pro-NAFTA organization had recruited six Cubans to kill him — possibly at the rally or during his scheduled debate here Tuesday night — to be broadcast on CNN at 0200 GMT Wednesday, with Vice President Al Gore.

A federal law enforcement source said that Mr. Perot's comments appeared to be based on third-hand information passed to the FBI by an anonymous telephone tipster. The source added that the Justice Department was unaware of any threat against Mr. Perot by any pro-NAFTA organization.

Mr. Perot said a Tampa police officer had handed him a note Sunday morning from the FBI describing the plot. The assassination attempt "would take place in Tampa or at the debate in Washington," he said, adding, "The organization is a Mafia-like group in favor of the North American Free Trade Agreement."

"I am willing to stand up here like a clay pigeon, if you will write your congressman," Mr. Perot said at the rally. "Let him know you don't want NAFTA. I'm

not worried about these dudes getting their acts together and doing something to me."

Captain R.K. Winton of the Tampa police said that an FBI agent had said "two death threats" had been made against Mr. Perot.

The federal law enforcement official said the Los Angeles FBI office had received a call Saturday night from an Albuquerque, New Mexico, "tip line called 'We Tip'" about the alleged plot.

An anonymous caller to the tip line reported that he was with a man who spoke no English and who claimed to have just gotten out of a Mexican prison where he had heard "there was a six-member Cuban hit squad that was going to 'take out' Ross Perot," according to the source.

Over the years, Mr. Perot, who received 19 percent of the vote in last year's presidential election, has claimed he was the target of death plots by North Vietnamese Communists upset about his efforts to free American prisoners of war, by the Black Panthers and by Texas drug dealers.

No evidence to support Mr. Perot's assertions ever surfaced, and they were vehemently denied by Republican campaign officials. Mr. Perot later acknowledged that some of his information came from a former California police officer described by federal law enforcement sources as a publicity-seeking hoaxster.

## TREATY: For the Left, an Uneasy, Broad Reversal

Continued from Page 1.

with Mexico and Canada will make it easier for U.S. companies to escape domestic law and regulation, a process already taking place as the market place has become global.

"Activists endured George Bush and Ronald Reagan for 12 years; they worked hard to elect Clinton to change policy," said a former Democratic congressman, James Jontz, now head of the Citizens Trade Campaign, a group that opposes the agreement.

"To people at home, NAFTA is more of the same, trickle-down economics, putting corporations ahead of people. NAFTA embodies what people have been fighting against," Clinton says in a new policy. People at home see Clinton lined up with the business lobbyists. They are mad. They are saying: 'This is why we elected Bill Clinton?'"

The scope of the opposition is reflected by the strong presence of groups as diverse as the boards of the United Methodist Church, Americans for Democratic Action, the National Farmers Union, the Humane Society, Greenpeace and the United Auto Workers.

And the range of concern for protection of domestically enforced rights and regulations is reflected in a point made by the Rev.

erend Jesse L. Jackson, the civil rights activist and prospective presidential nominee: "Take affirmative-action policy. You cannot enforce that on a plant in Canada or Mexico."

While Ross Perot, the billionaire businessman and independent presidential candidate last year, has assumed the public role of anti-NAFTA leader, these organizations have produced many more votes against the agreement. The leaders view Mr. Perot a dangerous ally without commitment to their tenets.

The debate will be broadcast on CNN at 0200 GMT on Wednesday.

The unease that many on the left feel about their alliance with Mr. Perot becomes severe discomfort in the case of such leaders of the Republican right as Patrick J. Buchanan and Paul M. Weyrich.

For the progressive and liberal groups opposed to the agreement, the alliance with Mr. Buchanan and Mr. Weyrich, head of the Free Congress Foundation, has another major cost: It runs arguments against it into an intellectual muddle.

The agreement, according to Mr. Weyrich, will "give the radical environmentalists a devastating tool," permitting them "to lock into place outrageous 'green' laws," and it would "give American labor unions a 'death grip' on labor policies."

The central anchor of liberal-left discontent lies in a shared suspicion of, and often hostility toward, domestic and multinational corporations that opponents of the agreement believe are profiting in the global marketplace amid declining wages for unskilled workers.

"Mexican workers are not taking our jobs; to say so is racist," said Mr. Jackson, head of the National Rainbow Coalition and the most prominent leader of the liberal wing of the Democratic Party.

"Corporations with gleams for greed and fast profits in their eyes are taking jobs to them."

But the opposition on the left has a far broader ideological composition.

"The political world view is that there are a variety of values — be they environmental, consumer, health and safety, equitable distribution of income — that these groups believe should come before business interests per se," said Lori Wallach, lobbyist for Ralph Nader's Public Citizen and a key organizer of the opposition. "There are times when these interests should trump the goal of expanded trade, the goal of expanded business profit or growth."

## Away From Politics

- Dr. Jack Kevorkian left jail in Detroit after a backer posted a \$2,000 bond set by a judge in an assisted suicide case. Dr. Kevorkian, an outspoken proponent of assisted suicide, was jailed Friday after he refused to post the bond himself. He had refused nourishment except for juice and water all weekend.
- Jury selection began in the trial of a man whose wife cut off his penis, allegedly he had raped her. John Bobbitt, 26, has been charged in Manassas, Virginia, with marital sexual assault in a case that has captured widespread attention. His estranged wife, Lorena, faces trial later in the month for malicious wounding. Each faces 20 years in prison.
- Federal agents made an arrest in an arson investigation of wildfires that have ravaged Southern California over the past two weeks, officials said. The illegal Chinese fire has now been contained.
- Thirty-one illegal Chinese aliens being deported from Mexico caused a ruckus on an airline flight, prompting an emergency landing on U.S. soil, after being told that they would not be served liquor on the flight. They were returned to Mexico.
- Gay rights activists are calling for a boycott of Cincinnati following a vote repealing a year-old law protecting homosexuals from discrimination.
- David Berkowitz, the notorious "Son of Sam" serial killer who terrorized New York in the mid-1970s, has apologized from prison for his deadly deeds. "I did take some lives and I'm very sorry for that," he said in an interview. He said his goal had been to bring New York "to its knees."

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**Herald INTERNATIONAL Tribune.**

## Puerto Rico Nears Plebiscite on Status

SAN JUAN, Puerto Rico — Should Puerto Rico petition to become the 51st state, remain an American commonwealth or proclaim its independence?

After decades of debate and months of intense campaigning, voters are about to declare their preference in a plebiscite whose result the White House has pledged to support. For the 3.7 million residents of this Caribbean island, the vote Nov. 14 hinges on questions both of cultural identity and material well-being.

Governor Pedro Rossello and his New Progressive Party say statehood will bring a financial bonanza. The opposition Popular Democratic Party argues that statehood will force a mixed-race, Spanish-speaking society to renounce everything that defines its character. Recent polls show statehood and commonwealth running about even, with about one-fifth of voters undecided. Independence, the third option, is supported by about 5 percent of the voters and is not considered a realistic course for an

## POLITICAL NOTES

island that has lived under American rule since the end of the Spanish-American War in 1898.

The vote is the first on Puerto Rico's status since 1967, when commonwealth status won 60 percent of the vote. The plebiscite is nonbinding, meaning that even if statehood wins, Congress would still have to approve the formal petition to join the union. (NYT)

## Mrs. Clinton Backs the Family Doctor

WASHINGTON — Hillary Rodham Clinton came to the defense of the family doctor, telling a young medical student "it's about time we start thinking about the common good" and not just career choices that may be more lucrative.

Mrs. Clinton's remarks came during questions from the audience Sunday at a conference of medical educators where several medical students said they saw no advantage to going into general practice where pay and prestige is lower than in specialization.

Mrs. Clinton's reply came with a sharp edge. "It's about time that we start thinking about the common good, the national interest, instead of just individuals in our country," she told one student.

Seventy percent of the practicing physicians are in specialties, compared with 30 percent for general practice, and 85 percent of the medical students are aiming at specialties, compared with 15 percent for general practice, she said. (AP)

## Quote/Unquote

Ross Perot, at a rally in Florida at which he said he had received information about an assassination plot because of his stand against NAFTA: "I thought about the people who make our country go. We will never waver until NAFTA is stopped. So here we are. And if something should happen, don't spend a minute mourning. As Step 1, make sure you stop NAFTA, with or without me." (NYT)

## Anti-Deficit Allies Gain in the Senate

By Adam Clymer  
New York Times Service

WASHINGTON — Conservatives who have raised taxes and liberals who cannot stand to cut spending have joined to bring the Senate to within a handful of votes of passing a constitutional amendment later this month to require a balanced budget.

Senator Paul Simon, Democrat of Illinois and a liberal who is the measure's chief sponsor, is not predicting victory yet. But he said that he had detected a gradual increase in support.

He has been pushing the measure for several years, and won a promise from the Senate majority leader, George J. Mitchell of Maine, a firm opponent of the amendment, for a vote during this Senate session, which may end before Nov. 25, the Thanksgiving holiday.

The deficit issue has forced itself over the years into the consciousness of both the right and the left, and it is good politics to promise to do something about it.

While most people think that the only way to cope with the deficit is to both raise taxes and cut spending, each wing of this tenuous alliance argues that only the approach the other side dislikes must be used.

But the opponents, led by Senator Robert C. Byrd, Democrat of West Virginia, got a boost last week when President Bill Clinton weighed in on their side. Mr. Clinton denounced the amendment as a "budget gimmick" and said it was so vague that appointed judges would end up making decisions elected lawmakers should take on.

Mr. Clinton said the amendment would hurt average American families and require some combination of "huge increases in taxes," "massive reductions in Social Security benefits" and "major cuts in Medicare and Medicaid that would make it impossible to pass meaningful health reform legislation."

He said the last effect would be particularly counterproductive because health legislation was "the nation's best hope of bringing down the long-term deficit."

While presidents have no veto on constitutional amendments, Mr. Clinton's intervention still matters, especially because 16 of the 20 senators who have not announced their position on the measure are Democrats. With 60 supporters identified through public statements and interviews and 20 declared opponents, the backers need only 7 of the undecided senators to get the required two-thirds majority of the 100-member Senate. Opponents need 14 of them to defeat it.

The Senate is expected to vote in about two weeks on the measure, which would require a balanced budget in 1999. The result is likely to be as close as it was in 1986, when the proposal fell short by a single vote; or in 1982 when it passed the Senate with 69 votes but died in the House.

Mr. Byrd said he was worried that his side would lose. He scoffed at the measure as "political catnip" and said he despairs of senators who beg him, in his role as chairman of the Appropriations Committee, for money for their states while supporting an amendment that would dry up that spending.

He called the amendment "an economic, fiscal and political calamity in the making." He then

added "constitutional" to the list, saying if the measure was adopted it would probably fail to balance the budget, and in so doing would greatly diminish the nation's faith in the Constitution.

The Simon amendment states that outlays of federal money cannot exceed receipts in any fiscal year and that the statutory limit on the national debt cannot be increased.

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Netherlands Fl.	770	-40	420	230
Norway N.Kr.	3,500	-36	1,900	1,050
Portugal Esc.	47,000	-39	26,000	14,000
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Herald Tribune

Change the Cuba Policy

Washington's Cuba policy is domestic politics by proxy. So fierce are the anti-Castro passions of well-beeled, conservative Cuban exiles that reason flies out the window when candidates vie for their votes and contributions.

compliance with the extraterritorial claims of the Cuban Democracy Act, and has protested a provision barring any vessel that enters Cuba from unloading freight in U.S. ports for 180 days after leaving Cuba.

A Faulty Budget-Balancer

President Bill Clinton took a position Friday on the misnamed balanced budget amendment to the constitution, on which Congress is scheduled to vote in the next few weeks.

thereby add to the prospect each year of gridlock. The president warned that by increasing "accounting subterfuge... moving more federal programs off budget or... imposing more unfunded mandates on the states," it might end up producing less fiscal responsibility than more.

Curbing Greenhouse Gas

Bill Clinton's new plan to control global warming looks a lot more like something George Bush would dream up than anything straight from the heart of Al Gore, the environmental conscience of the administration.

warning "perhaps the biggest environmental threat to this planet," suggesting that he views the problem more seriously than Mr. Bush did. And he has pledged to bring emission levels in the year 2000 down to 1990 levels, thus imposing a mandate on himself that Mr. Bush declined to impose on the country.



America's Relations With China Are Looking Up

BEIJING — In recent weeks the Clinton administration has swerved away from an impending crisis in American relations with China by adopting a new policy of engagement.

According to the historian Zi Zhongyun, similar things were said by U.S. officials in 1941 at the start of the Chinese-American alliance of World War II, but forgotten after the 1949 Communist revolution.

Only NATO Membership Will Soothe Their Fears

HELSINKI — NATO has yet to find a way to reassure the Central and East European nations without alienating Russia. The "security partnership" expected to be offered by NATO to all European states, including Russia, Ukraine and possibly other former Soviet republics, is intended to go at least halfway toward satisfying the craving for security in what President Lech Walesa of Poland has called "the power vacuum at the heart of Europe."

temporarily gain the upper hand: chauvinistic, Great Russian, crypto-Communist and crypto-totalitarian forces" (JHT, Oct. 20).

Ugly, Unfounded and Hard to Explain

BOSTON — If you wonder how low the politics of hate and revenge can get in Washington, listen to this story.

members of the Judiciary Committee that the charges were empty. But she would not answer questions about what she and Judge Hoerchner discussed during that break, because it was a conversation protected by the lawyer-client privilege.

Discovering A Different Pyongyang

By James Pringle
PYONGYANG, North Korea — Taxis are lined up outside the Hotel Koryo in Pyongyang. A visitor walks out of the hotel, climbs into one of the vehicles and tells the driver in hand for a restaurant or a department store. The driver does as asked.

Only NATO Membership Will Soothe Their Fears

why it fails to address the worries of the Central and East European countries. It looks like another Conference on Security and Cooperation in Europe, this time in uniform. Unfortunately, the CSCE has lost credibility as a result of its hasty decision to admit all the former Soviet republics.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

- 1893: Anarchist Bombs
BARCELONA — An anarchist outrage of unprecedented atrocity has been committed at the Teatro del Liceo. The winter opera season was opened last night (Nov. 8) and the vast theatre was crowded with the elite of Barcelona society.

International Herald Tribune advertisement listing staff members: KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER, RICHARD McCLEAN, etc.

Handwritten Arabic text at the bottom of the page.

OPINION

# The Iraqgate Stone Wall Runs All the Way to Reno

By William Safire

WASHINGTON—Let me take you behind the scenes in the exposure of a scandal, as the irresistible forces of inquiry slam into the immovable stone wall of cover-up.

In Iraqgate, the Bush administration arranged for billions in unlawful financing of President Saddam Hussein through the Atlanta office of Italy's Banca Lavoro. To avert embarrassment after the Iraqi double-cross, the U.S. Justice Department conspired with Italy to obstruct the investigation of Saddam's bankers and George Bush's top aides.

This Sunday, the forces of inquiry got a bible to work from: "Spider's Web: The Secret History of How the White House Illegally Armed Iraq." Alan Friedman, whose reports in the Financial Times and on ABC's "Nightline" have helped move the revelations along, brings together the story that most media have shied away from because corruption's great friend is complexity.

In Congress, the relentless Inspector Javert of Iraqgate—the House Banking Committee chairman, Henry Gonzalez of Texas—will take testimony from the convicted Atlanta branch manager who is the designated fall guy for higher-ups in Rome and Washington.

Also subpoenaed is Rinaldo Petrignani of Rogers & Wells, who as Italian ambassador made the approach to Mr. Bush's attorney general for the "damage control" that Dick Thornburgh denies ordering. But my friend Rinaldo, who was only doing his country's bidding, is also being sought by Italian authorities on a bribery charge and may be too busy to finger American culprits.

That's what revelation has going for it this week. But the forces of inquiry can do little without a court-appointed independent counsel, which calls for passage of a new law.

## Confusion at the Top

TO JUDGE from a sobering poll released last Tuesday by the Times Mirror Center for The People and The Press, whatever disarray affects the Clinton State Department affects equally the various elites on whose collective wisdom the administration might hope to rely. Six hundred forty-nine leaders in nine groups were asked to name which of six dangers facing the world was greatest. Fifty-one percent of scientists named population growth as the greatest danger. No other elite could muster even a 50 percent vote for any given danger. The day is clearly past when every foreign policy problem could be considered a moment in the life-and-death challenge posed to the West by the Soviet Union. Now, we have the luxury of considering each problem more nearly on its own merits, and the result is the confusion of the poll reports.

—Los Angeles Times.

On the side of stonewalling is a group of Republican senators led by John McCain, protected by Bob Dole, who want to delay a floor vote on the independent counsel bill.

They have high-sounding excuses, but the real reason is to drag a foot until the 1989 crimes of Iraqgate come under the statute of limitations. Despite no agreement from Republicans not to filibuster, George Mitchell, the majority leader, assures me: "I will bring up the bill for a vote before the Thanksgiving recess." We'll see.

Behind that stone wall is another stone wall: Attorney General Janet Reno. When asked if she would seek a special prosecutor from the court if the law passed, she told me: "I have no conflict of interest on Iraqgate." In other words, she will profess to be a Democrat investigating a Republican administration's crimes, and will refuse to honor Bill Clinton's promise of independent counsel.

Her protestation of no-conflict is a charade. The former Criminal Division chief who stands to be investigated in the Banca Lavoro damages case is Ed Dennis, the whitewasher chosen by Ms. Reno's deputy to find "no blame" in her Waco blunder. It is all one cozy, self-protecting establishment; but when asked if Justice's Criminal Division can investigate itself, Ms. Reno replies blithely, "It's my Criminal Division now."

Do not lose heart; persistence pays. In February, revelations in The New York Times forced the Senate intelligence committee into reporting that the CIA told Justice about Rome's corrupt involvement, following which everybody lied. But that staff report was fuzzy; I submitted 28 groups of questions following leads in it.

Example: The report read, "The chief prosecutor and chief investigator on the case were part of a Justice delegation which met with the Italian ambassador."

I asked, "Who were these two Americans? Who arranged this meeting and where was it? Were minutes kept? Was this the same Italian ambassador [Petrignani] who saw Attorney General Thornburgh at a White House reception? Did Senate staff ask why a memo was prepared by the chief of the Criminal Division [Dennis] for the AG three days before the approach at the White House?"

Committee staffers, who did not want to admit that they failed to ask the right questions, stonewalled. But recently I sat next to the co-chairman at a dinner and let the staff (found time to answer my questions seriatim. (In the example given, the Americans were Justice's Gail McKenzie and Agriculture's Art Wade, and no, the hurried committee staff did not think to ask the follow-ups.)

That's how the battle between revealers and resisters goes on. Justice will prevail when somebody in Justice goes to jail.

The New York Times.



## LETTERS TO THE EDITOR

### A Good Deal for France

According to one study, the partial trade liberalization in agriculture, manufacturing and intellectual property envisaged in the Uruguay Round of trade negotiations under the General Agreement on Tariffs and Trade could add \$25 billion to the annual income of France and generate a million new jobs.

If, for all that, France votes the Blair House accord on farm subsidies, the talks surely will fail. Then French exports of services, high-tech products and wines and spirits could suffer. Investor confidence would be shattered, since the country already is in recession. And America could well strike a trade deal with Asia and the Pacific region to the detriment of Europe, including France.

Consequently, there are grounds for France to accept the Blair House deal with whatever concessions it can secure from the United States. And the government should launch an information campaign to enlist even more public support for a global trade agreement.

M. VASUDEVAN, Cannes.

### Turkey and the Kurds

Regarding "Here's a Better Road for Turkey to Travel" (Opinion, Oct. 29) by William Safire:

The solution to the Kurdish problem is not a military one, but a political and economic one. While the Kurdish Workers Party, or PKK, remains murderous Marxist anathema in this age, the Turkish armed forces, with their clumsy and brutal response to PKK terror, have not only alienated local Kurdish inhabitants

### but made them sympathetic and responsive to the otherwise unattractive PKK.

If I may offer some advice to Prime Minister Tansu Ciller: For the sake of Turkey, be stronger than the generals. Return to your pledge of accommodation with the Kurds. Turkey shall be not only the richer but also the wiser.

ERIC SEAN GOLDSTEIN, Oxford, England.

### Hurrah for Rao

Regarding "The Party in Power Is Self-Destructive" (Opinion, Oct. 21):

I have to disagree with James Manor that India's Congress (I) Party is on its way to self-destruction, for in the past, the party has been split, resplit, born and reborn. Even though his is a minority government, Prime Minister P. V. Narasimha Rao's clever Machiavellianism has opened India's gates to prosperity. For India's good, long may he reign.

KISAN MEHTA, New Delhi.

### Nothing Romantic About It

Regarding photographs of a bullfighter (July 5) and the running of the bulls in Pamplona, Spain (July 8):

The photographs you printed a few months back should have been titled "Barbaric Savagery Continues in Spain." The bulls are tormented, provoked and tortured in front of cheering people, then killed as the crowd shouts for more. These cruel, uncivilized and monstrous pastimes must be stopped.

BRIAN COULMAN, Harare, Zimbabwe.

### For Pollard, Justice Is Jail

Regarding "Justice for J. J. Pollard" (Letters, Oct. 20):

Constance Konold's letter cannot stand unchallenged. Jonathan Jay Pollard is in no way a "political prisoner," and his 1987 conviction for spying was not merely for "providing Israel with classified information" but for selling it (and at a rather high price), while employed at a high salary in a top-secret security job with U.S. naval counterintelligence. There were no redeeming circumstances in his case whatsoever. He deserves to be where he is—in prison for the rest of his life.

ROBERT BRENTON BETTS, Beirut.

### In Praise of Piaf

Regarding "Piaf: The Talent vs. the Legend" (Oct. 20) by Mike Zwerin:

Edith Piaf was unique not only for her voice (the quality of which defies imitation) but also the following:

- Her role as a film actress.
- Her friendships in the larger world of artists and performers (Jean Cocteau, for one).
- Her keen sense of new talent and her discovery and support of many who outlived her. Talent recognizes talent.

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JONATHAN LEAKE, Paris.

# Remembrance Is the Way To Live With That Hole

By Robert B. Goldmann

NEW YORK—Fifty-five years ago today, my family and I experienced Kristallnacht in Frankfurt. What we did not know after that night of attacks on Jewish businesses and synagogues, and then after my father's brush with death during his monthlong confinement in the Buchenwald concentration camp, was that unimaginably worse was to come.

Five years later, I was working in the newsroom of the Voice of America, an important source of information at the

thing intrinsically evil about Germans. This writer, after many visits to Germany since the war and a good deal of work to combat prejudice and anti-Semitism, is convinced that, like so many things, the issue is much more complicated.

There are those who, out of a deep conviction and sense of responsibility, work actively for an appropriate memorial to the genocide of Jews and Gypsies.

Others, like many of the thousands who have joined candlelight marches to protest violence against foreigners, probably would support a memorial but not actively work for it. They are simply not the activist type.

Then there are those who ask: "Aren't we already doing everything we can to fight the neo-Nazi crazies with the methods our democratic society allows? Haven't we already paid a price in the world's eyes? Won't we ever become a normal country?"

The answer to all these questions is "no." The questions themselves betray a defensiveness, a resentment, a craving for "normalcy" that are the wrong mindset when it comes to the Holocaust. For there is a hole in Germany, as Willy Brandt once put it, that can never be closed and which succeeding generations have to live with: the unfillable hole left by the millions who fell victim to genocide committed in Germany's name.

Living with that requires remembrance, not resentment; thoughtfulness, not defensiveness; and tolerance, not paternalism. Perhaps it calls for a memorial to the victims, probably one just for the Jews who had made such an immeasurable contribution to German success and culture.

More importantly, living with that hole suggests actions, policies and principles applied in daily life, in schools, churches, business and professional associations, trade unions, law enforcement agencies. The theme that will make remembrance meaningful is tolerance, writ large, a natural acceptance of people who are different as individuals, not as Turks or Jews or Vietnamese.

This will require leadership from on high, and persistent efforts in local organizations and in homes. Many Germans are working at it, most recently in cooperation with Americans committed to the same objective.

It's worthwhile, not just for the sake of remembrance, but because it will give full meaning to the message played on Deutsche Welle, Germany's international broadcast service: "Brother looks out for brother, and helps wherever he can." From Schiller's "Ode to Joy." Working toward this goal, the Voice of Germany can become the voice of remembrance, tolerance and decency.

I won't live long enough to witness the completion of much good work that is being done, much less to announce it. I wish I could.

International Herald Tribune.

## MEANWHILE

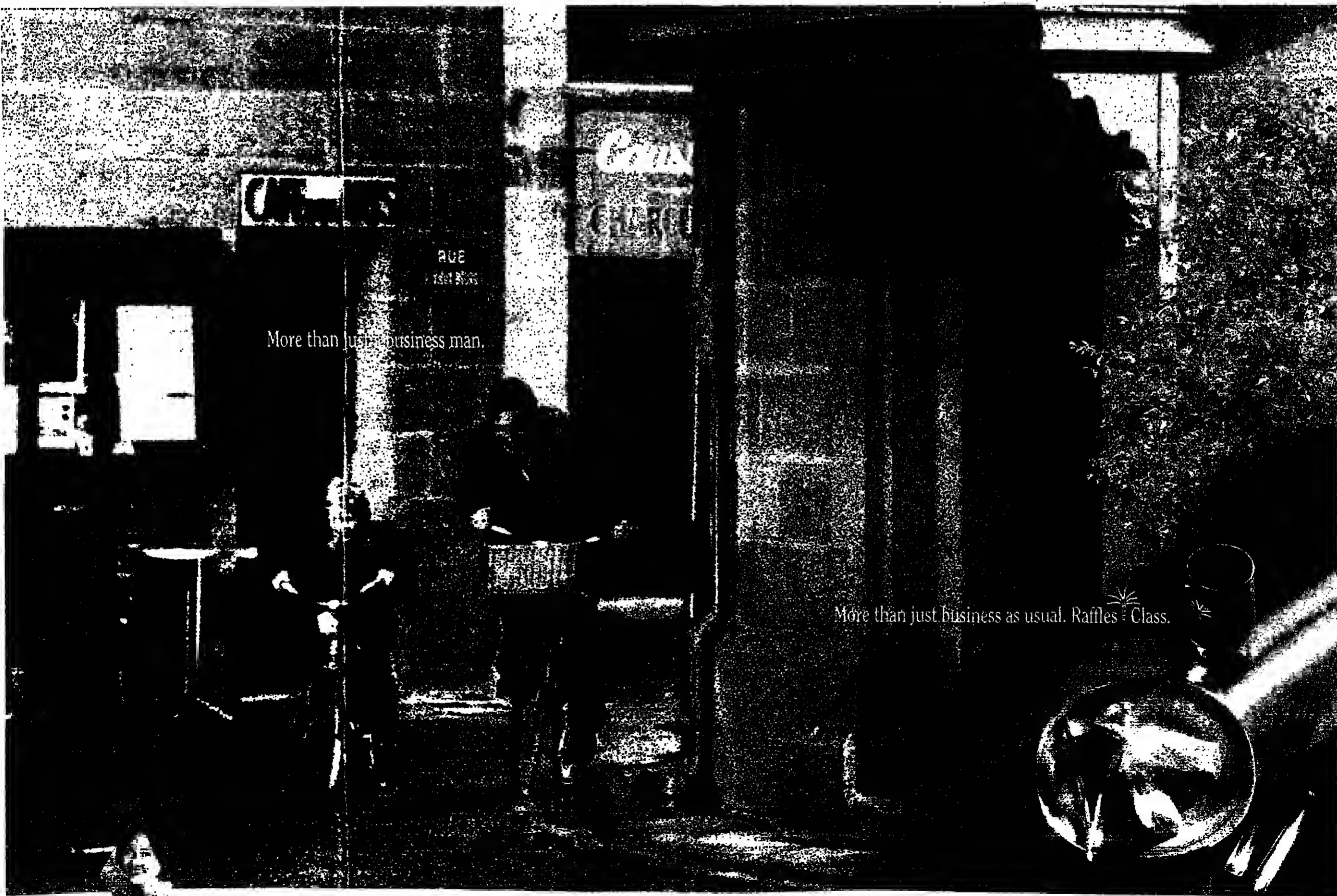
time. My family had managed to find refuge in New York, and I had gone on to become a German-language announcer for the U.S. government's new worldwide broadcast service. But I did not know about Auschwitz.

I announced news from the war fronts and read stories and commentary on the latest developments in American agriculture, science and the arts. What I did not announce, because it came in no script until after the war, was that millions of Jews and Gypsies had been gassed and burned in Nazi death camps. There was no news about that, only rumors. And at VOA, rumors were non-usable currency. Everything we aired, whether from the wire services or other sources, had to be solidly confirmed. Later, as the horrible pictures of the death camps were shown in newspapers or described in suitably gruesome detail in the newspapers, I asked myself: Where was I when Uncle Arthur, Tante Gertrude and Ilse Wassermann — not to mention all the others — disappeared?

If the news had appeared in a script I was to read to my German-speaking audience, could I have done it with the professional calm and detachment that was expected? I think I could have. It was my job to do so. But more than that, cold, unadorned accounts of what had happened would have been the most effective way to tell the German people what they needed to be told. And they did have to be told, in detail, to ensure that they remembered.

Today there is discussion in Germany of a Holocaust memorial. Why isn't there one already? Did it take the inauguration of the memorial in Washington to remind Germans of the Holocaust? It is too easy, and eminently unjust, to say that "the Germans haven't changed" — a refrain heard too frequently among Jews and others who think there is some-

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السفارة العراقية

# Muslim Women Face America Support Groups Organize to Protect Rights

New York Times Service  
 GREAT FALLS, Virginia — Maha Alkhatib had just come home from a job search at the mall. Her long, dark hair tumbled out as she pulled off her black *hejab*, the scarf many Muslim women use to cover their hair.

"People look at me and they're like, 'She wants to work here?'" said Miss Alkhatib, 19, referring to the stares she said she received when she applied for a clerical job at an optician's store.

Being treated as an oddity by most Americans, she said, is one of many things that complicates the life of a Muslim woman in the United States. Her mother, Sharifa, said, "They think of Muslim women with huge sheets on and three children trailing behind her and her trailing behind her husband who just finished beating her."

But Muslim women are now trying to help themselves. Driven by desire to support each other and by anger at the discrimination they encounter, Muslim women from rural Florida to Los Angeles to suburban Virginia have begun to organize into small community groups and large national associations. Mrs. Alkhatib is president of the North American Council for Muslim Women.

These groups debate the merits of veiling, raise money for fellow

Muslims in Bosnia and discuss how they can get the United States to accept them in its parent-teacher associations, malls and banks.

And they talk about their anger. With three million to four million adherents of Islam in the United States, Muslims said they were beginning to draw hostile attention even as they sought to define a role in society. "Muslim women here are starting to mobilize because they feel demonized," said Yvonne Haddad, a history professor at the University of Massachusetts who has written extensively about American Muslims.

Events like the World Trade Center bombing have increased hostility toward Muslims, she said, but the atmosphere of hostility provides Muslims with "a force to come together."

In organizing, Muslim women are stepping out from behind their husbands and fathers, who were usually the first to try to crack the language and cultural codes of their new nation.

"It is a universal pattern really," Ms. Haddad said. "When it looks like things are falling apart, the women step up. They used to defer to men, but when they see things are getting done, they organize themselves."

Muslim women from abroad are finding certain freedoms and mo-

bility that they lacked in their native countries, and the converts are finding that they can embrace Islam and still retain what they want from the American ethos of independence, hard work and self-expression.

There are roughly 30 Muslim women's organizations in the United States. Ten years ago, there were about five. Some organize themselves around their professions; there is an association of Muslim female lawyers, medical professionals and broadcast journalists.

The Muslim Women's League, a Detroit-based organization that has chapters throughout the United States, is one of the largest organizations for Muslim women in America, as is Mrs. Alkhatib's North American Council for Muslim Women, which has a membership of more than 350 members.

In the past, it was hard for Muslim women to organize because of the variety of languages and cultures of immigrants and because American converts often felt like outsiders in an ethnic community.

Some are Koranic study groups. Others have formed shelters for battered women. Often, they are meetings where plans are made to challenge school boards that refuse to excuse their children for Muslim holidays, small-town newspapers that mock their dress and employers who deny jobs to members of their community.



Armed Jewish settlers praying Monday as they blocked the main road from Nablies to Jerusalem and the exit from a refugee camp.

# Israel Accused of 2 Standards on Unrest

New York Times Service  
 JERUSALEM — As protesting Jewish settlers barricaded highways in the occupied territories with little interference from the army, a Palestinian leader accused the Israeli government Monday of following a double standard in its handling of Jewish unrest aroused by the killing of a settler.

"We hold the Israeli Army and the Israeli government fully responsible for what the settlers are doing," said Faisal Hussein, the leading representative of the Palestine Liberation Organization in the occupied territories. "We will know how to defend ourselves."

Arab traffic was paralyzed during the early morning rush hour as settlers blocked highways throughout the West Bank and Gaza Strip with rocks and burning tires for a second day. Thousands of Palestinian laborers were prevented from reaching their jobs in Israel during the three-hour blockade.

On the West Bank, a Palestinian and his son were wounded when shots were fired at their car near the settlement of Tappuah south of Nablies. The Committee for Security on the Roads, a militant Jewish group, claimed responsibility for the shooting in a phone call to Israel Radio. In the Gaza Strip, Arab-owned bathhouses were set on fire.

On Sunday, a Palestinian was shot and seriously wounded in the Gaza Strip and at least 20 Arabs were reportedly injured when settlers smashed car windows and assaulted motorists.

The settlers had taken to the streets after Palestinian gunmen near Hebron wounded a prominent rabbi and killed his driver.

The settlers had told the army in advance that they would block the highways from 4:30 to 7:30 A.M., but despite warnings from the army that the roads would be kept open, many roadblocks remained. This prompted Mr. Hussein's charge of a double standard. But Israeli officials denied this.

# Peace Foes Seek Clout In Jordan Election

AMMAN, Jordan — Jordanians voted Monday in their first multiparty election in 37 years, with the Islamic Action Front seeking enough legislative seats to obstruct plans to make peace with Israel.

The fundamentalist party, the disciplined political arm of the Muslim Brotherhood, contested 36 of the 80 seats in the lower house.

Despite complaints of government harassment, including a ban on public rallies and campaigning in mosques, Ishaq Farhan, leader of the Front, predicted that it would win at least the 22 seats held in the last legislature.

"We will confront in the next parliament all the attempts at normalization with the Jewish state and the Zionist onslaught with all the political means within the law," Mr. Farhan said.

In a campaign dominated by local concerns such as unemployment, the Islamic Action Front was alone in focusing on the emotional issue of opposing peace with Israel.

However, independent political observers believed that the Front would do well just to maintain its former strength, a view reinforced by fundamentalists' complaints that their campaign had been hurt by King Hussein's government.

"We will continue to be a force to be reckoned with in Jordan's political life and a major force in parliament in respect of the final results," Mr. Farhan said.

King Hussein, speaking at an election press center, said legislators must show responsibility "at this very crucial stage" in Jordan's history.

The monarch refused to confirm or deny Israeli reports that he had secretly conducted negotiations on economic and political ties in Amman this week with Foreign Minister Shimon Peres of Israel.

Despite the potential for a divisive debate over current peace talks with Israel — the king had considered postponing the vote — the first multiparty election since 1956 was relatively tame.

King Hussein had left the Muslim Brotherhood intact when he banned political parties after a leftist coup attempt in 1957. In a 1989 election it won the largest bloc in parliament.

Although they could not shape legislation, they irritated the government by opposing economic reforms, trying to impose Islamic rules and persistently making accusations of corruption.

Wanda Khan, 37, a convert who lives in Charlotte, North Carolina, has had problems moving from home day care to a public teaching position.

"For me the biggest problem is getting a professional job wearing a hejab," she said. "I know that I am more than qualified, but a school official told me that there is a school policy against wearing hats. I told him it was a religious thing, and that I couldn't remove it, and that I would take it up with the board."

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# Arafat, in Brussels, Received as a Head of State

Reston  
 BRUSSELS — Yasser Arafat, the PLO leader, made his first official visit to the European Community on Monday and said the Community's moral and material support was vital to rebuild the devastated occupied territories.

"The European role is very important, not only in economic but also in political terms," Mr. Arafat said at a news conference after meeting EC foreign ministers during his two-day visit to Brussels.

Mr. Arafat, who said earlier that he was

expecting "a lot" of help from the 12-member bloc, said assistance was needed to rebuild communications systems, hospitals, schools and other infrastructure.

During his visit, diplomats said, Mr. Arafat, the chairman of the Palestine Liberation Organization, was being treated like a head of state — a point of protocol that Israeli sources said would be carefully noted by the Jewish state.

Hanan Ashrawi, who was spokeswoman for the Palestinian delegation to the Arab-Israeli peace talks, is joining Mr. Arafat at

meetings with EC and Belgian officials.

"I am confident of getting EC support," Mrs. Ashrawi said.

The Community is the biggest single aid donor to the occupied territories and has made the Middle East one of its foreign priorities, along with the former Yugoslavia and South Africa.

The 12-member bloc is pumping 90 million Ecus (\$102 million) of aid into the West Bank and Gaza Strip this year and has said it also has backing for a five-year development plan valued at 500 million Ecus.

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# Whiff of Scandal Clouds Future of Tokyo Reform Bill

**By T.R. Reid**  
*Washington Post Service*

TOKYO — Ichiro Ozawa, a member of parliament and a chief strategist for Japan's governing coalition, argued at a news conference Monday that his receipt of contributions from a construction company touched by scandal proved the need for a law that he is pushing to tighten contribution rules.

Appearing unmoved by his brush with scandal, Mr. Ozawa conceded the truth of news reports saying he received contributions in December from Kajima Corp., a general contractor that has recently been charged with bribing numerous senior politicians to help win government contracts.

Mr. Ozawa insisted that the contributions were legal. Whether this is so depends on how much money was received and how it was used. Mr. Ozawa provided minimal information on those points.

He noted that detailed reporting is not required under Japan's current political contribution law. Accordingly, he called for a new law that would force politicians to report the very information he declined to reveal Monday.

Mr. Ozawa, who left the long-dominant Liberal Democratic Party in June to help form the Japan Renewal Party, plays an important role in the coalition government's effort to pass a major new political reform law, which would include tough new regulations on corporate contributions.

Prime Minister Morihiro Hosokawa must get the bill approved in the lower house of parliament by next week in order to get it enacted by the end of the year. That is his No. 1 legislative priority.

If Mr. Hosokawa can successfully steer the bill to passage, that will greatly enhance his stature, and probably extend the life of his coalition government for a year or more. It would also assure Mr. Hosokawa the political clout to make other changes, including the opening of Japan's rice market to imports from the United States and elsewhere.

If the political reform bill does not pass in the next two weeks, it probably will not be fatal for the coalition. But failure could undermine Mr. Hosokawa's potential to achieve the broad economic and regulatory changes he is seeking.

Since Mr. Ozawa is an important member of the seven-party alliance that makes up Mr. Hosokawa's government, there was considerable debate here about the impact

of the contributions from Kajima. One theory, which seems to be shared by Mr. Ozawa himself, is that the latest news will not harm the prospects of the political contribution bill.

Another view holds that, because of Mr. Ozawa's clout in the coalition, his admission will embarrass Mr. Hosokawa and make it harder for him to force the bill through in the next two weeks. But since the contributions in question — about \$46,000 according to news reports — are relatively small for a major politician here, and since Mr. Ozawa insisted so forcefully that his receipts were legal, the damage to Mr. Hosokawa may be small.

Many top Japanese politicians have been accused of receiving illegal contributions in recent years. Normally, they respond with a flat denial and no further comment.

Mr. Ozawa, in contrast, came striding into a jammed news conference Monday with a broad smile and calmly took questions for an hour.

He seemed unfazed even when reporters quoted the sentence from his own best-selling book that calls for public reporting of every contribution "down to the last yen." Mr. Ozawa conceded that he had not done this for the Kajima contributions, but argued that current law does not require it.

The proposal in his book, he said, "is about what the law should be in the future."



Mr. Ozawa at his Tokyo news conference, where he conceded having received corporate funds.

# U.S.-Pakistan Talks Deadlock No Progress on Nuclear Nonproliferation

*Compiled by The Staff From Durrani*

ISLAMABAD, Pakistan — Pakistani and U.S. officials made scant progress in resolving differences over Islamabad's nuclear program after two days of talks, officials said Monday.

"It would be misleading if I said there was an opening on nonproliferation," said a senior U.S. official who declined to be named. "But we have a dialogue going."

Assistant Secretary of State Robert L. Raphael held two days of talks with Prime Minister Benazir Bhutto, the army chief, General Abdul Waheed, and other officials. The discussions focused on strained Pakistan-U.S. ties and Islamabad's differences with India over the disputed region of Kashmir.

"A window of opportunity has been opened for improved Pakistan-U.S. relations," a Pakistani spokesman quoted Mrs. Bhutto as telling a cabinet meeting after the talks.

Traditionally friendly relations between the United States and Pakistan have been strained for more than three years by U.S. suspicions that Islamabad is using its nuclear program to make weapons, a charge Pakistan denies.

Washington cut off all military and economic aid to Pakistan in 1990. Last August, it ordered economic sanctions against Pakistan and China, saying Beijing had sold sensitive missile technology to Islamabad in violation of international arms controls.

"We have worked hard to cooperate with Pakistan but we are stuck in a legal bind that provides no flexibility," the U.S. official said, commenting on talks on the nuclear issue.

"Nonproliferation remains a major concern for the government of the United States," the official said. "It doesn't mean there were specific agreements, breakthroughs."

But the official said Washington was putting pressure on both India and Pakistan to resolve their differences over Kashmir, which brought the neighbors — both believed to have a nuclear capability — to the brink of war in 1990.

Assistant Secretary of State Raphael, who is not visiting India this trip, has angered New Delhi by

# Signs of a Hardening In U.S. Tone on Korea

*Agence France Presse*

SEOUL — A South Korean official said Monday that President Bill Clinton's warning that a North Korean attack on the South would mean war with the United States was confirmation of long-standing policy, but some analysts said it marked a hardening of the U.S. position.

Michael Breen, a North Korea specialist with Seoul-based Merril Consulting, said that in "the last few days, there seems to be a real change in the tone of what is coming out of U.S. military and intelligence."

"Clinton is probably talking tough because somebody has told him you can negotiate with the North Koreans, but they see it as a sign of weakness," Mr. Breen said.

Mr. Clinton said in a broadcast interview Sunday that a North Korean attack against the South would be viewed as an attack upon the United States. He reiterated that Pyongyang "cannot be allowed to develop a nuclear bomb."

A senior South Korean Foreign Ministry official, speaking privately, said Mr. Clinton was reconfirming stated policy of pursuing dialogue while maintaining a strong defensive posture.

"Clinton is repeating our bottom line that North Korea should not be allowed to possess nuclear weapons," the official said.

Cha Young-ku, research director for the Korea Institute for Defense Analysis, which is backed by the Seoul government, said that any attack on the South would inevitably have an effect on the United States since there are already American troops in South Korea.

About 36,000 U.S. troops are in the South as a "trip-wire" against aggression by the North and as a reminder that an attack on the South will automatically draw American and allied UN troops into the action.

The North Korean Communist Party has summoned an emergency Central Committee meeting for next week, apparently to work out a stance in the face of mounting international pressure for the North to allow inspections by a UN agency of its nuclear facilities.

# Drug Smuggler Is Executed By Taiwan

**By Philip Shenon**  
*New York Times Service*

BANGKOK — Human rights groups and foreign diplomats have received reports that Vietnam is mistreating its most prominent political prisoner, a doctor who has spent most of the last 15 years in jail because of his harsh criticism of the government.

The prisoner, Nguyen Dan Que, has a history of poor health. Human rights groups and Dr. Que's family in the United States say they have received reliable information in recent weeks that the 51-year-old radiologist is being held in solitary confinement and that he has been forced to resume hard labor.

Concerns about Dr. Que were heightened in August, when Vietnamese officials abruptly canceled a meeting between Dr. Que and Senator Charles S. Robb, Democrat of Virginia.

# Hanoi Said to Be Abusing Prisoner

The State Department and Mr. Robb have raised Dr. Que's plight in recent meetings with Vietnamese officials, suggesting that mistreatment of Dr. Que could slow progress toward normal diplomatic and trade relations.

In a handwritten letter dated Aug. 29 and said by Dr. Que's family to have been smuggled out of prison camp, Dr. Que wrote that the Hanoi government was trying to take "revenge" on him.

The letter said the government was "carrying out a lot of measures of terror and repression against the political prisoners after the failure of the meeting between me and Senator Charles Robb."

The Vietnamese government has denied that the doctor is being mistreated. In a statement last week, the Foreign Ministry in Hanoi said Dr. Que "is in very good condition,

# Drug Smuggler Is Executed By Taiwan

**By Philip Shenon**  
*New York Times Service*

TAIPEI — A Taiwanese fisherman was executed Monday for smuggling drugs onto the island from China, the first execution of a drug smuggler in 13 years, a prison spokesman said.

Hsu Wen-ta, 34, lying on his back, was shot twice in the temple at the penitentiary in Kaohsiung at dawn, said the prison secretary-general, Chen Chin-feng.

Last month, the Supreme Court upheld the death sentence on Mr. Hsu, captain of a fishing boat, for smuggling 38.7 kilograms (85 pounds) of heroin onto the island from China last November.

# Drug Smuggler Is Executed By Taiwan

Prime Minister Morihiro Hosokawa must get the bill approved in the lower house of parliament by next week in order to get it enacted by the end of the year. That is his No. 1 legislative priority.

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**TECHNOLOGY TRANSFER FROM NORTH AMERICA TO ASIA**  
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Phaichit Uthavikul, Chairman of the Board of Directors, Thailand Environment Institute, Bangkok

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Toshio Yagi, General Manager, Powertrain Research, Technical Research Center, Mazda Motor Corporation, Tokyo

**FINANCING THE FUTURE**  
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**INVESTING IN THE ENVIRONMENT: HOW WILL UNEP FULFIL ITS MANDATE?**  
Nay Htun, Deputy Executive Director, United Nations Environment Program, Nairobi

**REFORESTATION: INNOVATIVE PROJECTS AND ENVIRONMENTAL COOPERATION**  
Rauno Laitalainen, Project Manager, Thai Forestry Master Plan Project, Jaakko Poyry (Thailand) Co. Ltd., Bangkok  
Clyve Marsh, Deputy General Manager, Conservation and Environment Dept., Innoprice Corporation, Sabah

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Philip Shenon, South East Asia Correspondent, The New York Times, Bangkok  
Suthichai Yoon, Editor-in-Chief, The Nation Publishing Group, Bangkok

**POLE TO POLE**  
Michael Palin, Writer, Actor, Circumnavigator and Author of 'Pole to Pole' and 'Around the World in 80 Days', London

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UKRAINE: Cradle of Poverty

Continued from Page 1
1930s, and World War II claimed millions more victims on Ukrainian soil, many of them Jewish.

POLICY: U.S. Foreign Affairs Triumvirate Stymied by Clinton's Apparent Lack of Interest

Continued from Page 1

state and the deputy in the Bush administration, senior officials said.
In their quest to make things better, the three share important strengths: high intelligence, total dedication to public service and the determination to keep disputes to a minimum.

Assassinations Stir Fear of Rekindled War in El Salvador

By Douglas Farah Washington Post Service

SAN SALVADOR — A surge in political violence, including the assassinations of leaders of El Salvador's former guerrilla front, is threatening a fragile peace process in this nation struggling for reconciliation after a decade of civil war.

RECORDS: An Indian Nails His Spot in the Books

Continued from Page 1

est single column of coins ever stacked on the edge of a coin was made up of 253 Indian one rupee pieces on top of a vertical five rupee coin, by Dipak Syal of Yamuna Nagar, India on 3 May 1991.

JAPAN: Panel Lists Economy Rules It Will Try to End

Continued from Page 1

What we sensed was a very conspicuous sense of frustration, particularly from the private sector," Mr. Gyothen said. "They are simply fed up."
While economists in the West have tended to view all capitalist economies as basically similar because of the supremacy of the market, the Japanese have long clung to the view that state support is essential in nurturing certain busi-

nesses and making industries competitive internationally.
The fundamental policy underlying the commission's report, however, is that the time has come to reduce government's role in the economy. It speaks frequently of "the principles of self-responsibility," meaning that businesses must get used to funding for themselves.

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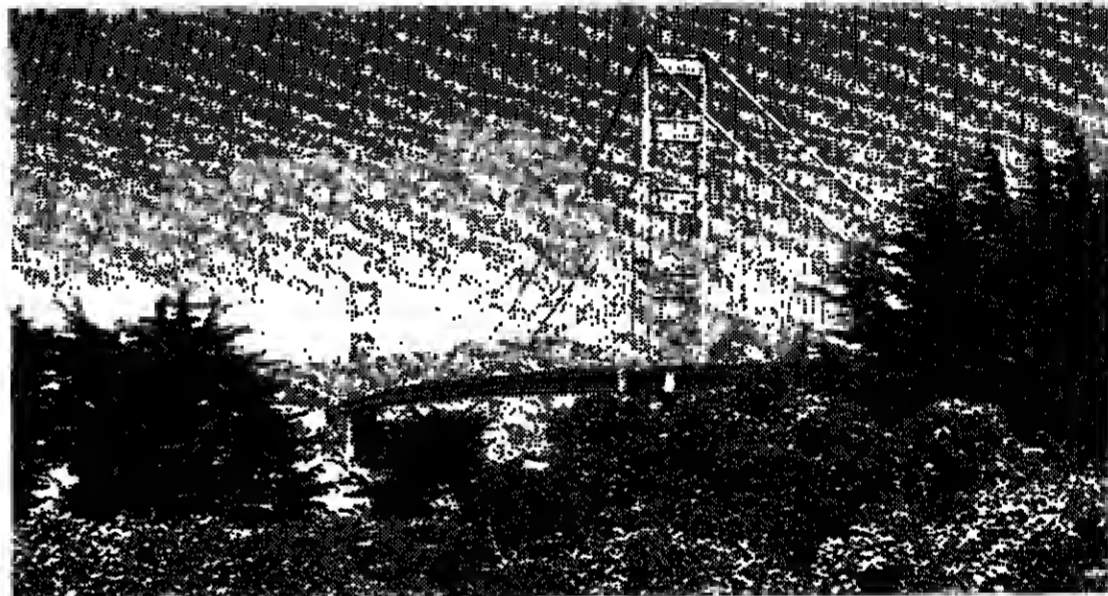
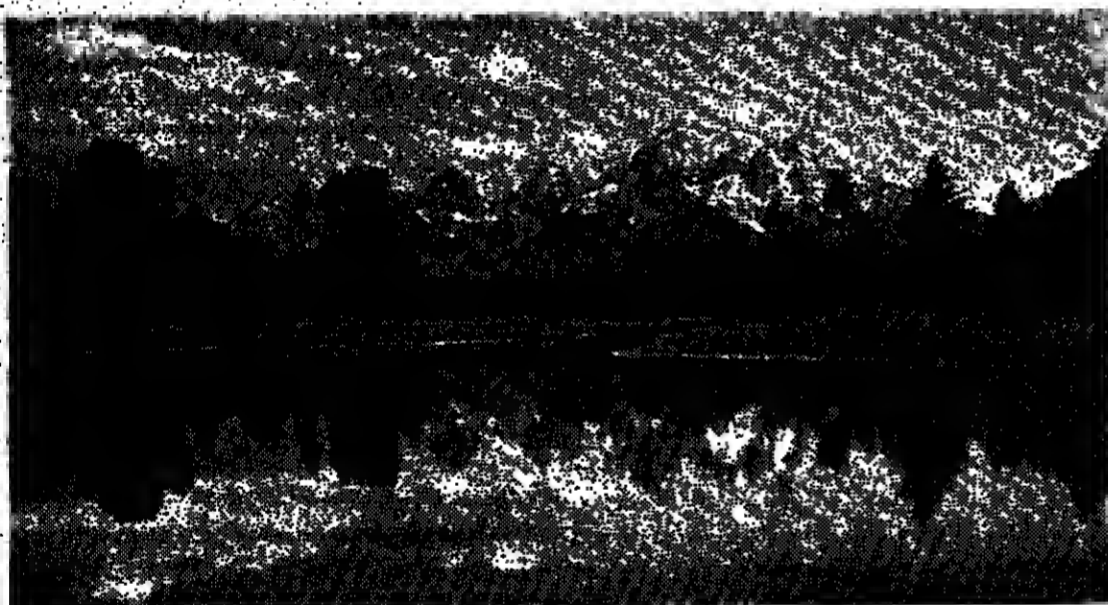
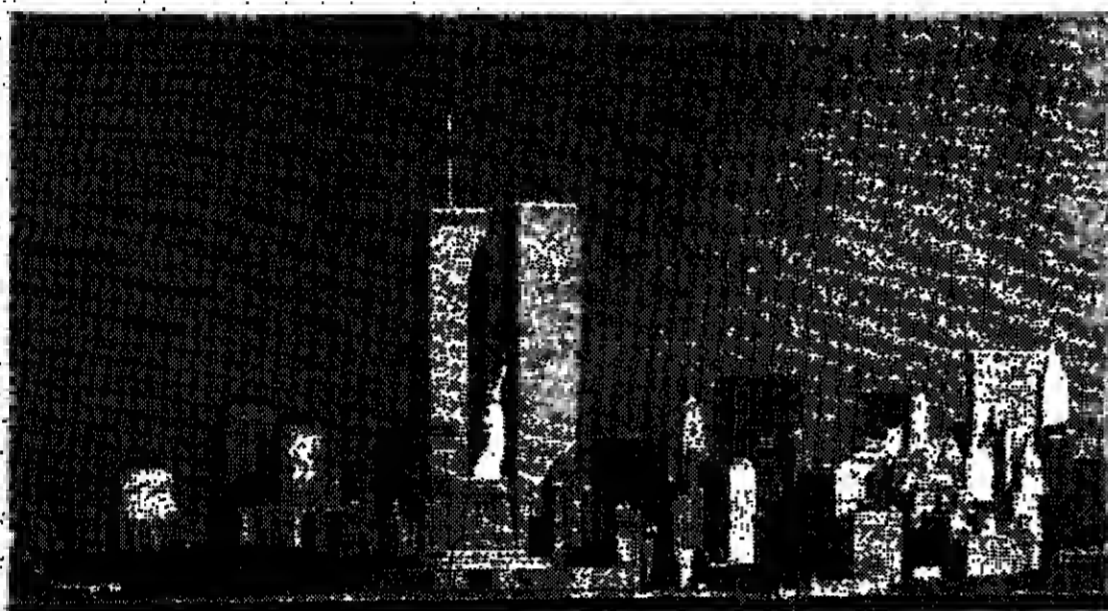
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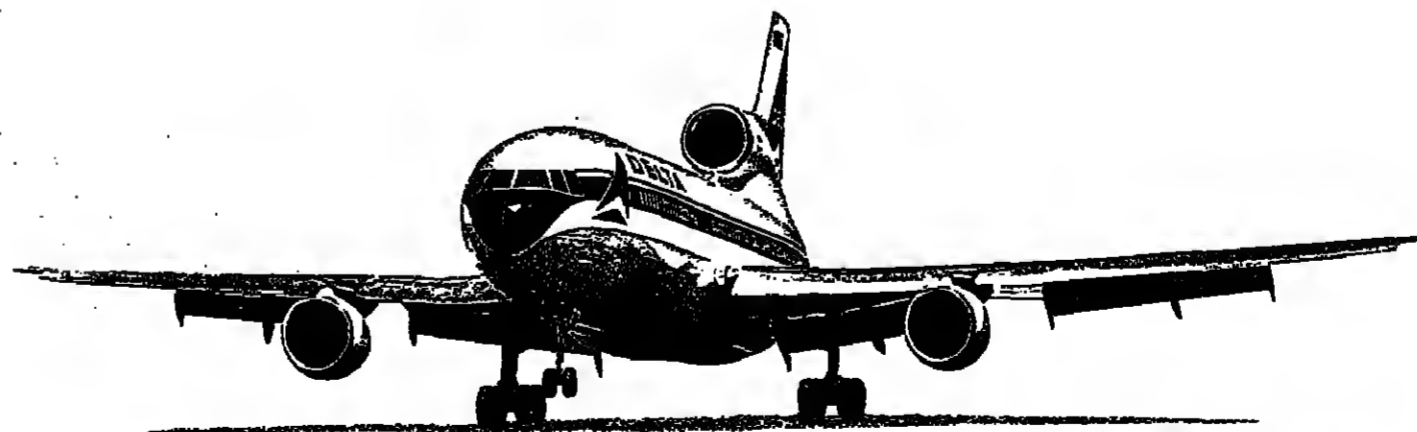


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# Style

## Lighting a Way Forward? A Reflective Karan, and Purity by Klein

By Suzy Menkes  
International Herald Tribune

**N**EW YORK — Like glowworms in the dark, 400 lamps illuminated the fashion tent. The beams lit up a phosphorescent silver shape on the runway. Was this fashion's future? Space-age style for the next century? Or just the latest line in silver rainwear from Donna Karan?

The opening of Karan's show made a symbolic ending to the New York fashion shows and to the six-week international spring-summer 1994 season. For with or without a handout of a headlamp, the pros have been groping for fashion's way ahead. Karan showed clean modern clothes in futuristic reflective fabrics and Calvin Klein made the best of pure and spare, yet New York did not supply the juice for fashion's forward thrust.

Yet at least American designers did not look back. The costume-party clothes, with echoes of Victorian or hippies, had been cleaned right out of the shows — apart for a few ruffled sleeves, Mozart jackets and cavalier shirts in Richard Tyler's collection. But what did that leave? Clothes that were bare, spare and hardy there.

If you want minimalism with a light touch, Calvin Klein did that very well. He brought to fairly familiar clothes a refined sense of color and contrasting textures. The clothes too came in threes, for the concept of the collection was layering. A typical outfit would have two tank-tops under a long jacket and a brief floppy skirt, so that layers of hems would overlap in one, two, three, four ways from hip to thigh.

Subtle colorings meant mixing ivory, shell and lush pinks — what Klein called "face-powder colors" at the party he gave the evening of his show at the downtown Odéon restaurant. A more graphic combination, highlighting the layers, was black and white — say a white slip dress over a black tank top.

Textures too had the subtlest variations: shimmering satin, with wispy chiffon, faint flower prints or gossamer knits. The doubling of trellising of layers made sheer bearable and wearable. And the colors and textures prevented the show from being so plain to hurt. The opacity of the dress was also part of Klein's forceful statement. It came either calf-length or short

with movement at the hem. There were more short skirts than long, but never short and tight. The co-existence of different hem lengths is the American way.

Klein's show emphasized another New York message: the sliding of day and evening clothes. At night, soft creamy knits warmed up light layers — part of the modern spirit of Klein's collection.

**NEW YORK FASHION**  
the new millennium, because we have to go forward, not backward," said an emotional Donna Karan after her show, which led to the first hitch in an otherwise successful fashion season under canvas. Leading press and store presidents were locked out of the show by zealous security guards.

**K**ARAN'S show opened dramatically with the reflective fabrics — an idea picked up from cyclists on New York's gridlocked streets. Although there may be few potential customers who want to glow in the dark, it set the tone.

The sleek separates were fine, but not really so forward-looking, for fashion rocketed off 25 years ago on this same space-age route with Cardin and Courrage. The new fabric updated the look for the 1990s, but it was still based on a Star Trek image of a silver bodysuit and short A-line skirt under sweeping coat. Karan also showed long skirts split at the sides and body-skimming dresses.

Shimmering silver included silver lurex knitwear. The same color palette brought gentler tones of smoke and fog that drifted round the body in chiffon at night. Lightness as well as shine was Karan's message and that gave her fashion futurism poetry and romance.

Isaac Mizrahi's show could have used bad taste, kitsch, sex or seduction — anything to light the parade of nice wearable clothes without any sort of twist. A commercial fashion show is like decaffeinated coffee. It may be what everybody needs, but where's the kick?

Mizrahi sent out unmemorable suits in Prince-of-Wales checks; nice navy jackets with short school-girl-pleated skirts. He played with striped koin in primary colors that were a shock after the quiet shades of other runways. Like so much of

the show, the knits could have been the start of something strong. But the short-sleeved striped polo shirts worn with haggis high-waist "Marx Brothers" pants just petered out.

The final passage had some energy. For jackets, tops and even the wedding dress were made out of metal discs stamped from Coca-Cola cans — a witty and sparky take on fashion's recycling trend.

Ecolgy is in the air — and it sure was on the runway of the Cuban designer Manolo, whose Neridis with vertiginous hand-painted bustles and fronds of skirt appeared to have been scraped off the ocean floor to walk his green-plank runway. The fashion-for-art's-sake clothes had a charm in New York's commercial clothing business, and they showed loving craftsmanship.

In a season when minimalism ruled the runways, enter a decorator. Californian-based Richard Tyler made sportswear with a flourish, adding ruffled sleeves like festoon hounds to a plain jacket or sending a cascade of ruffles spilling over the chest under a curved riding coat.

This dandified look had as a base Tyler's well-tailored jackets that would come out simply with a pattern of broken stripes. Frock coats were light and airy and given a modern spin with floppy short skirts underneath. But Tyler's ideas-from-the-attic looked like a reprise of the winter season.

His light dresses in faggoted white cotton and micro-minikilts were in the Lolita spirit that evorted through the New York shows. Lingerie lingers on in fashion as hazy-doll nighties and slip-dresses meant for public view. Fernandez Sanchez took underwear back to the boudoir, but the lingerie designer made his bathrobes and pajamas look more solid and staid than current ethereal fashions.

In a city where the personal trainer is the new hero, high-voltage sportswear is fast fashion. Norma Kamali started her show with real gymnast working out in sporty sweats that made fashionable pieces. But Kamali's real strength is in her seductive bias-cut dresses sliding effortlessly across the well-honed body.

Zoran, the master of minimalism, did what he has always done and other designers now aspire to: simple, graceful, luxurious clothes that whisper rather than shout, with the focus on fabrics. Before his show got going, Zoran unrolled his palette of neutral, white and cream, and silken cloud grays, in the windows of Henri Bendel on Fifth Avenue.

"Did you get the message — the public saw it first," said Zoran. It was another metaphor about modern American fashion: the customer now calls the shots, and American designers' motto seems to be "If the public won't buy it, don't try it."



Karan's satin split-dress, left; Klein's tank tops and short floppy skirt; Mizrahi's "Marx Brothers" pants, top, and Tyler's ruffle-front shirt.

## Sharing Obsessions: The Zany World of Zines

By Eric Messinger  
New York Times Service

**N**EW YORK — Welcome to the highly irregular world of zines, the magazine equivalent of public-access television.

Typically the effort of one person or a small group of like-minded friends operating on an avocenscent budget, zines are invariably too singular in theme or too idiosyncratic

in style to have mainstream appeal. While zine purists argue that only those publications of the most modest production values and meager circulations should be considered zines, others identify them by their contents.

"I can't say there's an agenda that connects them," said Terry Morello, the special-projects director at Exit Art/The First World, an arts center in New York that sells zines. "Many have a kind

of aesthetic that's an anti-aesthetic, a vague, unfocused anger. But others are simply informative, like the one about preserving eight-track tapes."

Zines. The word itself is thought to have been popularized in the early 1980s by Mike Gunderloy, the founding publisher of Facsheet Five, a zine that has evolved into the premier zine review.

"He was seeing scientific zines, like 'Star Trek' stuff, music fanzines from the punk scene and lots of amateur press stuff, so the phrase basically was his way of describing all these publications coming across his life," said R. Seth Friedman, the current publisher.

Friedman estimates that the number of zines in the United States has increased over the past decade to about 20,000 from 5,000, with a particularly large surge during the last two years. Indeed, at many independent bookstores they seem to be metastasizing on magazine shelves.

Here is a sampling of the current zines:

• Animal Review. First published: February. Price: \$2. Frequency: Every three months. Though it describes itself as the "fanzine of herbivorous youth," there's no apparent reason why carnivores of any age wouldn't like this quirky guide. Essays on "maeho animals," zoo reviews, peans to pets; if it has to do with animals, it can be found here. (So can the stray music review.) Highlight: A segment called "Gecko Q & A."

• Blur. First published: February 1992. Price: \$7. Frequency:

Quarterly. This glossy zine says it "approaches the diversities in art and design, photography, the mature direction of comic books, the art and culture surrounding them, the sub-lifestyles of snowboarding, skateboarding and the music which surrounds it all." Not the easiest mix to make sense of. But true to its name, Blur's images, generally quite striking, tend to be shot in soft focus, and words are often superimposed on the imagery, making for challenging reading. Highlight: An interview with Kent Williams, an artist, begins: "Why Kent Williams? Because he is one of the nicest people I've ever worked with."

• Fools Paradise. First published: April. Price: \$1. Frequency: Every three months. Though it describes itself as the "fanzine of herbivorous youth," there's no apparent reason why carnivores of any age wouldn't like this quirky guide. Essays on "maeho animals," zoo reviews, peans to pets; if it has to do with animals, it can be found here. (So can the stray music review.) Highlight: A segment called "Gecko Q & A."

• Punk Paradiso. First published: September. Price: \$5.50. Frequency: Twice a year. A journal of ideas, with a rather fuzzy purview. Recent topics range from the "psychodrama" of living in Australia to war stories from New York City emergency rooms. Highlight: An academic-minded deconstruction of Madonna that tweaks academic deconstructions of Madonna.

• Breukelen. First published: January. Price: \$2. Frequency: Quarterly. Using the Dutch name for the borough it is based in, this arts journal focuses on artists whose work and space are on the edges of New York's mainstream, with a particular emphasis on the scene in the Williamsburg and Greenpoint sections of Brooklyn. Its subjects range from the aesthetics of serious writing to that of karaoke. Highlight: An art review that contemplates whether Brooklyn artists are creating a "blueprint of the future" by "exploiting electronic networking amid a poetic environment of post-industrial ruin."

• Publicist. First published: September 1992. Price: \$6.50. Frequency: Twice a year. A journal of ideas, with a rather fuzzy purview. Recent topics range from the "psychodrama" of living in Australia to war stories from New York City emergency rooms. Highlight: An academic-minded deconstruction of Madonna that tweaks academic deconstructions of Madonna.

## At independent bookstores they seem to be metastasizing on magazine shelves.

## CHESS

By Robert Byrne

**T**HE main hindrance in Jan Timman's play in the first half of his International Chess Federation championship match with Anatoly Karpov has been the endgame: when it is favorable for him, he does nothing more than draw; when it is unfavorable, he loses.

For example, the Dutchman lost Game 1 with mistakes in the ending and here, in Game 10, played in September in Amsterdam, he repeated the flaw.

It is questionable whether Timman should have used the Gruenfeld Defense, 3...d5. Karpov favors a quiet branch of the Exchange Variation with 7 Be3 c5 8 Qd2, which tends to devolve into a quiet endgame. In this game, the exchange of queens with 14...Qd2 15 Kd2 fit Karpov's requirements.

Initially, Timman handled the endgame well. His defense against 20 Ra3 with 20...ed 21 ed 22 Ra7 Bf5 was excellent because Karpov had to give back the sacrificed pawn. After 23 Rd1 Ra8 24 Ra8 Ra8 25 Ke1 Ra2, Karpov had a passed d5 pawn, which he turned into a threat at once with 26 de, yet the black pieces were active.

On 28 Bd3! Bd3 29 Rd3, Timman dared not capture with 29...Rg2 in view of 30 Ra3! Be3 31 Ra7 Nf6 (or 31...Ke8 32 Ra8) 32

d7, which wins a piece. But he correctly accepted Karpov's sacrifice with 29...Be3 30 Bb6 Kg8 31 Ne7 Kf7 32 Bf2 Bf2.

But after 33 f4, Timman began to go wrong. Instead of 33...Bg1?!, he should have played 33...h4!

Karpov soon had the opportunity to bring his heretofore underutilized rook to the attack and did so after 38 fe g 39 Rh3! Bb4 40 Rf5. After 40...Bf6 41 Rf5, he had recovered his pawn, whereas Timman had done nothing to diminish the latent threat of the d6 pawn.

After 45 g4, Timman missed the correct defense, 45...Ra2!, which would have stopped the white king



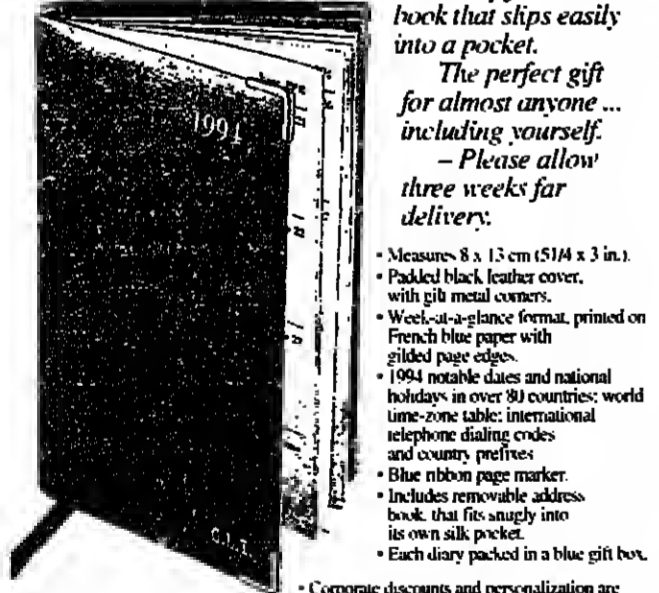
Position after 49...d6

White	Black	White	Black	White	Black
1	d4	1	d4	1	d4
2	c4	2	c4	2	c4
3	e4	3	e4	3	e4
4	f4	4	f4	4	f4
5	g4	5	g4	5	g4
6	h4	6	h4	6	h4
7	a4	7	a4	7	a4
8	b4	8	b4	8	b4
9	c4	9	c4	9	c4
10	d4	10	d4	10	d4
11	e4	11	e4	11	e4
12	f4	12	f4	12	f4
13	g4	13	g4	13	g4
14	h4	14	h4	14	h4
15	a4	15	a4	15	a4
16	b4	16	b4	16	b4
17	c4	17	c4	17	c4
18	d4	18	d4	18	d4
19	e4	19	e4	19	e4
20	f4	20	f4	20	f4
21	g4	21	g4	21	g4
22	h4	22	h4	22	h4
23	a4	23	a4	23	a4
24	b4	24	b4	24	b4
25	c4	25	c4	25	c4
26	d4	26	d4	26	d4
27	e4	27	e4	27	e4
28	f4	28	f4	28	f4
29	g4	29	g4	29	g4
30	h4	30	h4	30	h4

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**THE CULTIVATION OF HATRED: The Bourgeois Experience** Victoria to Freud, Vol. III  
By Peter Gay. 635 pages. \$30. Norton.

Reviewed by Christopher Hitchens

**V**IRTUAL reality notwithstanding, the founding patrimony of the modern world is still that of Marx, Darwin, Freud and Einstein. The late 19th century was innocuous of the revolutionary cosmology of Einstein but experienced challenges to its worldview that were, in their implications, hardly less disturbing. Just as Lytton Strachey, in "Eminent Victorians," sought to show the play of ego and superego and even of id on the hallowed bishops, generals, schoolmasters and pietistic reformers of a deceptively stable era, so Peter Gay — in this third volume of his trilogy, "The Bourgeois Experience" — tries to illustrate the premonitions of the coming age through the travails and traumas of a preceding one. He strives with great success to avoid the historians' trap once finely summarized by E.P. Thompson as "the massive condescension of posterity."

Through him, the denizens of the period are given their own voice. There is a superfluous melodrama about the title. A more accurate name for the book might be "The Attempted Domestication of Hatred," as the Christian nations of Western Europe attempted to reconcile their organic traditions with unsettling new revelations. Among these revelations were mechanization, modern warfare, colonialism, the doctrine of evolution and the giving of clinical diagnostic names to sadism and masochism. The Victorians became aware, with differing degrees of reluctance, of the

## BOOKS

### WHAT THEY'RE READING

• Werner Schmidt, finance director at Volkswagen's headquarters in Wolfsburg, Germany, is reading "Danger in the Comfort Zone" by Judith M. Bardwick.

"It helps reduce fears in the work place and has some clear directives for those in charge. Basically, it's a plea for more respect among individuals and toward those in charge at the work place." (Michael Kallenbach, IHT)



potential for violence and cruelty contained within the family, within the psyche and within the hitherto God-given arrangement of the social hierarchy. By good fortune, this was a time of many literate and polymathic people — the last great stand of the humanist all-rounder before the time of the expert and the specialist — so that solid testimony is both rich and various.

At first examination, the teachings of Charles Darwin, Adam Smith and the Reverend Malthus appeared to license the view that some principle of "kill or be killed" operated at the level of nature, of society and of the economy. Yet this seemed to conflict with the teachings of the New Testament. Victorian hypocrisy thus arose from the necessary contradiction of continuing to exploit labor and to colonize foreigners, while maintaining that it was all for their own good. Gay's miniatures are especially excellent here: He shows the Victorian addiction to capital and corporate punishment, and to cold utilitarianism in the prison system, to be based on the same sinister claim offered by the stern chastiser who told the victim: "This hurts me more than it hurts you."

To take one example that Gay succeeds in making emblematic, we find Otto von Bismarck intervening in the German parliamentary debate on capital punishment. Bismarck's point was that the state and the society must be willing to take life without overmuch compunction, because otherwise the sickly and the "effeminate" would prevail, and the nation could not fight to build and strengthen itself. This grand metaphorical portrait, one of Gay's finest, shows the latent connection between social Darwinism, the military ethic and the macho rhetoric of the nation-state.

The keyword is probably "sublimation." Newly aware of the power of the unconscious, and uneasily knowledgeable about the relationship between sexuality and aggression, the high Victorian builders and entrepreneurs sought what William James called "the moral equivalent of war." The tough and the tender, in this calculus, became opposites rather than relations, and the repression of the tender found its issue in great bouts of sentimentality about orphans, about animals, about heroes and heroines but seldom if ever about "lesser breeds" or the "weaker sex."

This brings him, without undue strain, to his epilogue or denouement, August 1914 was the almost orgasmic culmination of an age of ambition and fierce contention. Having tried for the moral equivalent of war, in externalized adventures directed at the colonial subjects and the natural world, the light-lipped and highly evolved civilizations of England, France and Germany finally got the real thing. And they embarked on the business of suicide and destruction with an almost hysterical feeling of release. Perhaps, Gay seems to argue, if there had been more hedonism and saturnalia before, there might have been less orgasmic hatred and murder after. It is a lesson for centuries other than the 19th.

Christopher Hitchens, who writes for Vanity Fair and The Nation, wrote this for The Washington Post.

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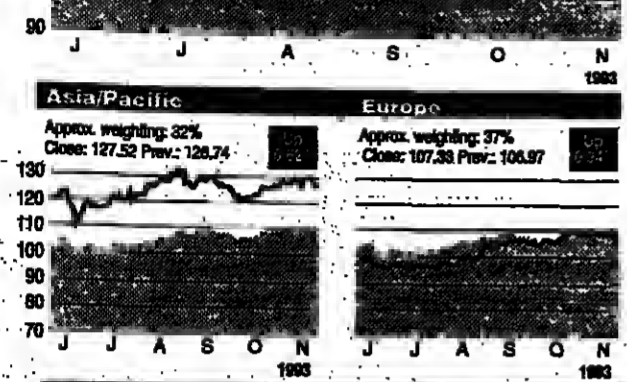


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Asia's New Pain (and Gain) Korea and Taiwan Gear Up for China

By Paul Blustein
PUSAN, South Korea — The worldwide cross-border competition for jobs struck home last month in this hub of the South Korean shoe industry, idling 3,500 workers at the Gwang Rubber factory...

For both South Korea and Taiwan, the economic benefits of expanded relations with Beijing clearly outweigh the costs.

Employing as many as 20,000 workers, it is to be turned into apartments. Factories such as these have shut down all across South Korea — as well as in Taiwan — because of competition for jobs from neighboring countries with much lower wages...

EC Cites U.S. 'Disinformation' on Trade

By Tom Buerkle
BRUSSELS — The European Community, seeking to bridge its internal differences on trade and put the United States on the defensive, blamed Washington on Monday for stalling the global trade talks...

The EC trade commissioner, Sir Leon Brittan, dismissed American criticism of Europe's trade stance as a "disinformation campaign."

He told a meeting of EC foreign ministers here that the United States, along with Japan and Canada, were "still dragging their feet" by failing to respond to an EC package of tariff cuts offered at the General Agreement on Tariffs and Trade in Geneva.

The United States immediately rejected the assertion. Stuart E. Eizenstat, the U.S. ambassador to the Community, said the American offer of tariff cuts was bigger than Europe's or Japan's.

Mr. Eizenstat said the GATT negotiations were too complex to be resolved at the last minute and urged Europe and other trading partners to build confidence by helping to wrap up work on individual sectors like financial services and public procurement.

He also denied that Washington was bamboozling by the NAFTA debate. President Bill Clinton stressed over the weekend that he regarded both trade agreements as essential...

French officials said they were anxious to avoid the risk that Washington would present a take-it-or-leave-it GATT offer on the eve of the Dec. 15 deadline.

France is being placed around the EC. Foreign Minister Alain Juppé of France said, according to EC sources at the meeting, "We want to avoid last-minute negotiations," he added.

Mr. Eizenstat said the GATT negotiations were too complex to be resolved at the last minute and urged Europe and other trading partners to build confidence by helping to wrap up work on individual sectors like financial services and public procurement.

He also denied that Washington was bamboozling by the NAFTA debate. President Bill Clinton stressed over the weekend that he regarded both trade agreements as essential...

Akzo to Acquire Nobel, Forming Chemicals Titan

AMSTERDAM — Akzo NV, the Dutch maker of products ranging from airbag fibers to contraceptives, and Nobel Industrier AB, the Swedish company synonymous with dynamite and peace prizes, announced Monday they would combine forces to create one of the world's largest chemicals companies.

Under the terms of the takeover, Akzo will pay a total of 14 billion kroner (\$1.7 billion) for an 80 percent stake in Nobel.

Some analysts said that Akzo was paying a high price for Nobel, which is only one-third its size, and that the deal, which would create the world's largest producer of paints and coatings, would entail considerable overlap in the two companies.

Akzo's share price fell 12.10 guilders (\$1.90) to 185.10 guilders on the Amsterdam Stock Exchange. Trading was suspended in Stockholm last Tuesday in Nobel shares as the negotiations in a merger gained momentum.

The new company, which will be named Akzo Nobel, will have combined annual sales of more than 20 billion guilders (\$10.5 billion) and will employ over 75,000 people.

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Thinking Ahead

U.S. Has Real Reasons to Pass NAFTA

By Reginald Dale
WASHINGTON — If foreigners are against it, it must be good for the United States — so Americans should be for it.

That anyone should seriously advance such a proposition is a depressing confirmation of the inward-looking state of America today.

It is even more depressing when the proponent of such chauvinistic twaddle is the president of the United States. And yet that is the logic that Bill Clinton has espoused in calling on Americans to back the North American Free Trade Agreement...

The point is rammed home by Lee A. Iacocca in pro-NAFTA TV advertisements in which he earnestly states that the Japanese think the accord is a "bad deal" because it is good for America and bad for Japan.

The fact of the matter is that not one of America's allies wants NAFTA to fail. They all want a prosperous, free-trading America. The agreement's opponents are not outside but inside the United States.

It should be evident that most European and Japanese companies will be much more interested in investing in Mexico if NAFTA is passed, so they can gain free access to the U.S. market. For Mexico, that is one of the agreement's main attractions.

Celltech Refuels Europe's Biotech Dream

By Erik Ipsen
SLOUGH, England — At the ripe old age of 13, Celltech Group PLC, the British biotechnology company, has yet to sell its first invention, but hopes to have greater success with its first public share offering.

"It has taken them an awfully long time to get where they have gotten to," said Robin Gilbert, an analyst with the brokerage Panmure Gordon.

The embarrassing thing for Celltech — and for the European biotech industry as a whole — is not only just how long it has taken but how little the industry has in show for its efforts and expenditures.

In the United States, biotech companies raised nearly \$4 billion in the early 1990s to fund research and development. Several of them now have products with sales of \$100 million or more a year.

In Europe, meanwhile, biotech concerns are still struggling to build momentum. Celltech's initial offering is expected to make it the largest biotech company in Europe by adding a mere €30 million (\$45 million) to a capital base estimated at about £160 million.

"European scientists have been slower, shall we say, to capitalize on their inventions," said Ian Smith, an analyst with Lehman Brothers.

But Mr. Smith and others say that the spate of recent share offerings by biotech firms in Britain may turn things around by allowing them to secure long-sought cash — and much-needed inspiration.

Celltech, one of the oldest of Europe's biotech companies, is an example of both what was wrong with the industry from the start and why a turnaround may be imminent.

Peter Fellner, Celltech's chief executive, said, "This company's history, to say the least, has been a little turbulent and idiosyncratic."

Founded in 1980 with financial help from the government, Celltech hired scores of highly trained experts, fitted out state-of-the-art laboratories and kicked off a series of pioneering research projects.

But almost all of projects went nowhere. Three years ago, Celltech's private shareholders lost patience and took a broom to the company's executive suite. Out went the top tier of management and in came Mr. Fellner and his team, drawn not from academia but from some of Europe's largest drug makers.

CURRENCY & INTEREST RATES

Table with multiple columns: Cross Rates, Eurocurrency Deposits, Key Money Rates, and Gold. Includes various financial indicators and exchange rates.

Top Executives Resign as Sculley Shapes Spectrum

NEW YORK — Spectrum Information Technologies Inc., the high-technology company that recently hired John Sculley, the former Apple Computer Inc. chief, as its chairman, said Monday that its founder and several other top executives had stepped down.

Dana Venturi, who was replaced by Mr. Sculley, and John Rule, vice president of cellular marketing, both quit. Katherine Bachand, director of investor relations, resigned. Spectrum said the three left voluntarily.

The company also said it appointed Christopher P. Franco as vice president and general counsel. The wireless data company also announced a \$1.5 million settlement of a shareholder lawsuit related to a plunge in its stock last spring.

In May, spectrum described a contract with American Telephone & Telegraph Co. as worth hundreds of millions of dollars, sending its stock soaring. But AT&T later suggested that the comment had been an exaggeration and Spectrum's stock plunged.

(Reuters, AP, Bloomberg)

Advertisement for CORUM watches, featuring a detailed image of a watch and text: 'The Admiral's Cup - simply one of the most distinctive and elegant sports watches in the world. CORUM Maitres Artisans d'Horlogerie SUISSE.'

MARKET DIARY

Share Prices Advance As Inflation Fears Slip

NEW YORK — U.S. stocks were broadly firmer on Monday as fears subsided that U.S. inflation was reheating or that the Federal Reserve Board would be lifting short-term rates any time soon.

U.S. Treasury bonds advanced sharply in late trading as speculation grew that the week's reports would show inflation easing. The price of the benchmark 30-year bond rose 4/32 to 100 21/32.

INDEX: IHT Tracks Latin Stocks

Continued from Page 11 have less impact on the index than 10 shares from a major trading center like Frankfurt.

From Tuesday through Saturday, the index's closing figure will appear on Page 1, with a full graphic and statistical report on the first page of the Business/Finance section.

Low-Inflation Scenario Depresses Dollar

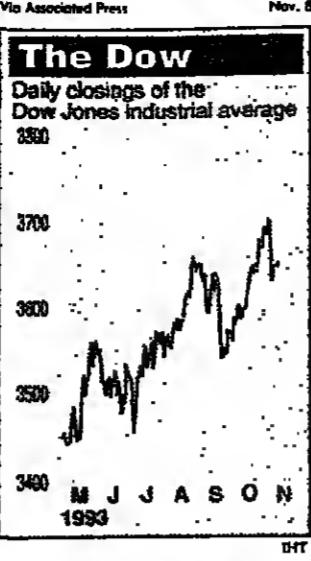
NEW YORK — The dollar fell against most other major currencies Monday on speculation upcoming reports on producer and consumer prices would show inflation remained tame last month.

Swiss, October producer prices are to be reported Tuesday, with consumer prices due Wednesday. As long as prices remain relatively stable, the Federal Reserve Board is unlikely to raise interest rates.

WORLD STOCK MARKETS

Table with columns for City, Index, and Change. Includes Amsterdam, Brussels, Frankfurt, London, Milan, Paris, Sao Paulo, Singapore, Tokyo, Zurich.

Table with columns for City, Index, and Change. Includes Hong Kong, Johannesburg, Madrid, Stockholm, Toronto.



Daily closings of the Dow Jones industrial average

Table titled 'Dow Jones Averages' showing various market indices like Industrials, Chemicals, etc.

Table titled 'Standard & Poor's Indexes' showing various market indices.

Table titled 'NYSE Most Actives' showing top trading stocks.

Table titled 'AMEX Most Actives' showing top trading stocks.

Table titled 'NYSE Diary' showing market activity.

Table titled 'Amex Diary' showing market activity.

Table titled 'NASDAQ Diary' showing market activity.

Table titled 'Dow Jones Averages' with columns for Index, High, Low, Close, Change.

Table titled 'Standard & Poor's Indexes' with columns for Index, High, Low, Close, Change.

Table titled 'NYSE Most Actives' with columns for Stock, Vol., High, Low, Last, Change.

Table titled 'AMEX Most Actives' with columns for Stock, Vol., High, Low, Last, Change.

Table titled 'NYSE Diary' with columns for Stock, High, Low, Last, Change.

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Table titled 'Amex Diary' with columns for Stock, High, Low, Last, Change.

Table titled 'NASDAQ Diary' with columns for Stock, High, Low, Last, Change.

U.S./AT THE CLOSE

Paramount in Bidding for Macmillan

NEW YORK (Bloomberg) — Paramount Communications Inc. has agreed to sell \$340 million of nonperforming commercial real estate loans to Whittaker Street Real Estate Limited Partnership III.

BankAmerica to Sell Property Loans

SAN FRANCISCO (Bloomberg) — BankAmerica Corp. said Monday it had agreed to sell \$340 million of nonperforming commercial real estate loans to Whittaker Street Real Estate Limited Partnership III.

Oil Industry Estimates Cleanup Costs

CHICAGO (Bloomberg) — The American oil industry may have to spend \$23 billion by the year 2000 to comply with environmental rules, a study by the American Petroleum Institute has found.

Law suit to Involve On-Line Services

NEW YORK (Reuters) — The National Writers Union said Monday that it was preparing a lawsuit against some of the country's biggest newspapers and computer information services.

U.S. to Press Japan on Software Issue

WASHINGTON (Reuters) — The United States will inform Japan on Tuesday of its "grave concern" over possible moves in Tokyo to roll back copyright protection for computer software.

For the Record

- Walt Disney Co. is planning a major theme park in Virginia to compete with Kings Dominion, Paramount Communications Inc.'s park near Richmond, a published report said Monday.

Weekend Box Office

- LOS ANGELES — Tim Burton's "The Nightmare Before Christmas" topped the U.S. box office again last weekend. Following are the Top 10 movie-makers based on Friday ticket sales and estimated sales for Saturday and Sunday.

U.S. FUTURES

Table with columns for Contract, High, Low, Open, Close, Change. Includes Wheat, Soybeans, Corn, etc.

EUROPEAN FUTURES

Table with columns for Contract, High, Low, Open, Close, Change. Includes DAX, FTSE, etc.

Metals

Table with columns for Metal, High, Low, Open, Close, Change. Includes Gold, Silver, Copper, etc.

Stocks

Table with columns for Stock, High, Low, Open, Close, Change. Includes Dow Jones, S&P 500, etc.

Commodity Indexes

Table with columns for Index, High, Low, Open, Close, Change. Includes Oil, Grains, etc.

Financial

Table with columns for Instrument, High, Low, Open, Close, Change. Includes Treasury Bonds, etc.

Food

Table with columns for Commodity, High, Low, Open, Close, Change. Includes Soybeans, Corn, etc.

Stocks

Table with columns for Stock, High, Low, Open, Close, Change. Includes Dow Jones, S&P 500, etc.

Handwritten Arabic text at the bottom of the page.

Work-Hour Cut Backed In France

Compiled by Our Staff From Dispatches PARIS — Desperate to boost employment, conservative lawmakers on Monday narrowly endorsed an experiment with a 32-hour work week, a step that they had long opposed. The Senate approved the measure on a vote of 149 to 135, with Socialists and Communists voting against it because the reduction in work hours would be accompanied by an 8 percent pay cut. Support for a shorter work week has been growing as the conservative government of Prime Minister Edouard Balladur battles unemployment. The experiment was endorsed by the Senate, or upper house, in an amendment to a government job bill. The Chamber of Deputies, or lower house, last month rejected a similar proposal, but the government said later that it could support such an experiment if it included a pay cut. Under the Senate measure, participation in the 32-hour week would be voluntary, and companies that participated would be exempted from some payroll taxes, provided they used the savings to create new jobs. Conservatives had long criticized moves to cut the work week, which was reduced to 39 hours from 40 after the Socialists came to power. But the Balladur government, which came to power after crushing the Socialists in parliamentary elections in March, is being forced to look for new ways to fight joblessness while struggling with a 300 billion franc (\$50 billion) deficit. (AP, Reuters)

British Data Show Economy on Rise

Compiled by Our Staff From Dispatches LONDON — Britain's Central Statistical Office reports Monday of a modest rise in October producer prices and a strong rise in September consumer lending, signaling a strengthening economy with inflation under control. The office said that output prices rose 4 percent in October from a year earlier, compared with 4.2 percent in September, while net lending to consumers rose to \$489 million (\$726 million) in September, the highest level in more than three years, from \$225 million in August. (AFX, Bloomberg)

Spoon-Feeding a Polish Venture Gerber Baby Foods Faces Hurdles in 'Dream Market'

By Jane Perlez New York Times Service RZESZOW, Poland — When Gerber, the American baby-food maker, bought a juice plant in this out-of-the-way town in southern Poland, it was considered a case study of how a company should venture into the untapped territory of Eastern Europe. The price was right, the local staff was happy and the market potential a sheer dream: Polish babies had never sampled the even consistency of specially processed food from a jar. The \$25 million acquisition and investment in an untrapped market is still a success, but nearly two years later, the hard part is just beginning. Listen, for example, to Wanda Kujawa, a Polish mother of a 13-month-old boy: "I've never tried Gerber. My grandmother prepared my mother's baby food, who in turn prepared mine. I don't see why I should change a trusted recipe that's been used for generations." Dr. Dorota Osinska, a pediatrician on the outskirts of Warsaw, "in the larger cities, most mothers are familiar with Gerber, but few can afford it. Even our hospital, which recommends Gerber, is forced to make its own baby food because it does not have the budget to spend 50 cents a serving." Also, distributing the product from the plant over treacherous roads in rickety vans to cramped little stores is nothing like getting it to market in the United States. "It's taken us a little longer to learn these things than we would have liked," Alfred A. Piergallini, chief executive of Gerber Products Co., said during a visit here. Taking Gerber, based in Fremont, Michi-

gan, into international markets, particularly Eastern Europe, is Mr. Piergallini's answer to the company's growth problems caused by declining baby-food consumption and birth rates in the United States. U.S. consumption of strained bananas, applesauce and the like this year is running at more than 600 little jars for each birth, down 27 percent from two decades ago. By contrast, consumption per birth in Poland is fewer than a dozen jars a year. Gerber started producing 12 fruit and vegetable varieties here in March. It took a year we've been able to implement — Gerber's standards of traceability," said Wieslawa B. Szajdrowska, product development manager, as she held up a jar of apple-blueberry sauce with numbers typed on the label. Many of the vegetables and fruits for Gerber's products come from small, nearby farms. The variety of carrots was found to be excellent; the local farmers had long ago been introduced to Dutch seeds. "Polish carrots look wonderful and are wonderful," Mr. Piergallini said. Finding satisfactory chicken was more difficult. "We've had to work with the local poultry people to get them up to sanitary standards," Mr. Piergallini said. The first chicken products will be distributed in the next few months. After tackling manufacturing problems, Gerber turned to distribution. "Hair-raising," Mr. Piergallini said. "This country reminds me a lot of the United States in the 1920s, when there were lots and lots of stores." There also are few distribution companies or warehouses and computer systems are low-grade. For now, the company has set up a jury-rigged distribution system based on its own warehouses and trucks plus two Polish distribution outfits. But a swift distribution system will not help much if Polish mothers do not like prepared baby food. The company is starting with the medical community to try to ingrain the Gerber habit. It brought health experts together at a recent seminar to talk about infant-feeding practices around the world. The results of the seminar will be distributed among pediatricians.

A swift distribution system won't help if Polish mothers cannot be convinced to use prepared baby food.

AKZO: A Chemicals Titan Formed BIOTECH: Celltech Fuels Dream

Continued from Page 11 troubled Swedish bank Nordbanken AB. Securum, which will become the largest shareholder in the new company, was spun off from Nordbanken to manage the disposition of some 60 billion kronor in troubled loans and assets, including the Nobel stake. The Swedish government, which helped Nobel return to profitability in the last two years by cutting back costs, has been trying to rid itself of its stake for over a year. Securum said it expected that the sale of its Nobel shares would retrieve 5.4 billion kronor, including 629 million kronor in cash and the rest in shares, that the government had paid to bail out Nordbanken. "Securum's participation in the suggested merger between Nobel Industrier and Akzo is a sign of our aggressive strategy to regain credit losses," said Lars Thunell, a president of Securum and vice president

of Nobel. "The agreement is good for taxpayers, shareholders and the employees in Nobel." Securum agreed to hold onto its 20 percent stake in Akzo Nobel for at least two years. Mr. Thunell said Akzo was "the perfect home" for the Swedish government stake in Nobel. Analysts said the merger would probably spur other rationalization moves and acquisitions in the chemicals industry, which has been battered both by the recession and the increased cost of developing and market products. "We will see continuing mergers which will reduce risk and improve margins," said Martin Evans, a chemicals analyst at Hoare Govett. Analysts said they expected alliances as a result of privatization programs in France and Italy and from the wave of corporate reorganizations in Britain. (Bloomberg, Reuters)

Continued from Page 11 grow that governments may no longer pay for every new treatment regardless of cost. In Europe, where even a £30 million share issue like Celltech's in the midst of a bull market is seen as a tough sell, Mr. Felner's proudest accomplishment is husbanding the company's scarce cash. To do so, he has entered into partnership arrangements with such drug giants as Bayer AG of Germany and American Cyanamid Co. In return for assistance on everything from research and development to costly clinical trials, Celltech has retained commercial rights to its products in selected markets. The other key to cash conservation is the company's Biologics division. It makes monoclonal antibodies under contract for a number of pharmaceutical companies. Last year, Biologics' profit quadrupled to £2 million on sales of £14 million, which helped fund Celltech's ambitious R&D program. Aided by that contribution, Celltech said Monday that the group narrowed its losses to £5.89 million in the year ended Sept. 30, after a shortfall of £7.46 million last year. But Biologics' success points up a problem that has plagued the biotech industry not just in Europe but around the world: excessive early expectations. Once thought to be the hottest product of the future, demand for monoclonal antibodies lagged years behind expectations. With demand picking up only now, after many manufacturers went out of business, Celltech's tenacity has at last paid off. The resulting paucity of competition, Mr. Felner said, has enabled Celltech to "massively" raise its prices.

Retailers In Germany Near Link

Compiled by Our Staff From Dispatches FRANKFURT — Karstadt AG could merge with the rival retailer Herie Waren- & Kaufhaus GmbH by the end of this week, the companies indicated on Monday. Heiko Philipp, a Karstadt spokesman, said the supervisory boards of the retailers would meet on Thursday to decide whether to join their department-store chains. Herie said it would hold a news conference on Friday to announce "a change in its corporate status." The Federal Cartel Office last week announced the companies were discussing a merger. German press reports said Karstadt would swap its own stock to pay for Herie. That could be done either by creating new shares, or if Commerzbank AG and Deutsche Bank AG sold their stakes of about 25 percent each. Analysts said the Federal Cartel Office was unlikely to block the expected merger or impose onerous conditions after its approval of the Swiss-based Metro AG's 1992 takeover of Asko Deutsche Kaufhaus AG. Metro controls Kaufhof Holding AG, Karstadt's main rival. Analysts said the likely result of a merger this week would be expanded domination of German retailing by Karstadt and Kaufhof. They see Karstadt retaining its lead in department stores, while Kaufhof, strong in discount and specialist stores, is expected to forge links with Herten AG, the fourth-largest German retailer. Herie currently is third. (Reuters, Bloomberg, AFX)

Investor's Europe. Frankfurt DAX, London FTSE 100 Index, Paris CAC 40. Table with columns for Exchange, Index, Monday Close, Prev. Close, % Change.

Very briefly: ABB Asea Brown Boveri Ltd. said its robotics division had a deal with Renault SA, details of which would be announced Tuesday. A source said the venture would create a factory in France to make robotics systems for the automotive industry. ABB acquired Elektro-Praga, a wiring accessories company, from the Czech National Property Fund; the price was not disclosed. The unit will be called ABB Busch-Jaeger Elektro-Praga SRO. British Telecommunications PLC said a possible alliance among France Telecom, Deutsche Bundespost Telekom and American Telephone & Telegraph Co. would be monopolistic and "fly in the face" of European Community competition goals. Sources said the proposed alliance would include most activities outside voice services. Cofibel SA was ordered not to sell its 83 percent stake in Cofimes SA to Schneider SA of France until a Belgian court decides on a challenge by minority shareholders. The court said the offer, for 1,380 Belgian francs (\$38.23) a share, undervalued Cofimes by 18 percent and seemed to be "exclusively beneficial" to Schneider. Standard Chartered PLC will issue as much as £300 million (\$445.2 million) of preference shares and hopes to list its common stock in Hong Kong and Singapore, possibly in conjunction with an offering to investors. Yorkshire-Tyne Tees Television Holdings PLC said its chairman, Clive Leach, resigned. Last week, the company said its advertising sales for the year ended Sept. 30 were lower than expected and said it would report a loss for the year. Harrisons & Crossfield PLC plans to dispose of "the substantial part" of its Australian and New Zealand chemicals operations within six months. Deutsche Luftthansa AG, citing a cost-cutting program that led to 5,500 job losses over 15 months, said its third-quarter pretax income was 145 million Deutsche marks (\$85.4 million), reversing a 221 million DM loss a year earlier; its nine-month pretax loss narrowed to 76 million DM from 262 million DM. Daimler-Benz AG said its chairman, Edzard Reuter, would sign several cooperation agreements in China this month as he accompanies Chancellor Helmut Kohl on a visit from Nov. 14 to Nov. 22. Germany's M-3 money supply grew a revised, annualized 6.8 percent in September, slower than the 7.0 percent originally reported, the Bundesbank said. M-3 comprises cash plus checking and certain savings deposits. (Reuters, AFX, Bloomberg, AFT)

NASDAQ Monday's Prices. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year. Table with columns for 12 Month High Low Stock Div Yld PE Ratio High Low Latest Chg.

# **NYSE**


Monday's Closing  
 Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere Via The Associated Press

11 Month High Low Stock Op. Yld PE High Low Last Clr

11 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr
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12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr
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**A DISTINGUISHED ADDRESS**  
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One of the most important decisions for your assets is your choice of bank. We are specialized in asset management. Our services are universally tailored to clients' personal needs. We have made this wealth of experience our calling. So it is easy to see that not any bank will do. Please call Mr. Sergio Verardi, Tel. +41 2837892, for more information.

**BANK VONTobel**  
 Zürich

12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr	12 Month High Low Stock Op. Yld PE High Low Last Clr
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**AME**

هكذا من الأصل

Korea Acts To Attract Investors

SEUL—South Korea detailed a sweeping plan Monday to ease a broad range of restrictions on foreign investment and boost its exports in the face of stiffening competition in the world marketplace.

Despite the overall easing of restrictions on land ownership, Finance Minister Hong Jae Hyung said purchases by foreigners for residential purposes would be limited to about 660 square meters (7,100 square feet).

Pirelli Ventures Into China

MILAN—Pirelli SpA, the Italian tire and cable maker, said Monday it was making its first direct foray into the Chinese market by investing 170 billion lire (\$103 million) to set up two joint ventures.

One of the ventures, with an investment of 100 billion lire, will make radial tires at a factory in Beijing. Beijing Tire Factory will be a minority partner, with control left to Pirelli and Hutchinson China Trade Holdings, the Italian company's Hong Kong agent for the Chinese market.

The other venture, to be set up with Houma Cable Factory for 70 billion lire, will make and sell copper and fiber-optic cable at a plant in Houma, in central Shanxi Province.

So Does 'Scratch-and-Win'

BEIJING—Internationale des Jeux, a French lottery company, said Monday that it had won a contract to supply China's first scratch-and-win lottery tickets and that it hoped to sell its Loto system here as well.

The Lottery Center for Social Welfare, an organization under the authority of the Chinese Social Welfare Ministry, set up a joint venture with Internationale des Jeux.

Internationale's deputy managing director, Yves Hénard, said the Chinese side would hold 43 percent of the venture, the French 37 percent, while 20 percent would be held by Beijing, a Malaysian group that specializes in gaming. The investment was put at 63 million francs (\$10.7 million).

Refinery Plan Halted by Japan And the Saudis

TOKYO—A group of Japanese and Saudi Arabian companies agreed Monday to scrap a major oil-refinery joint venture, a result of Japan's recession and the stumping oil market.

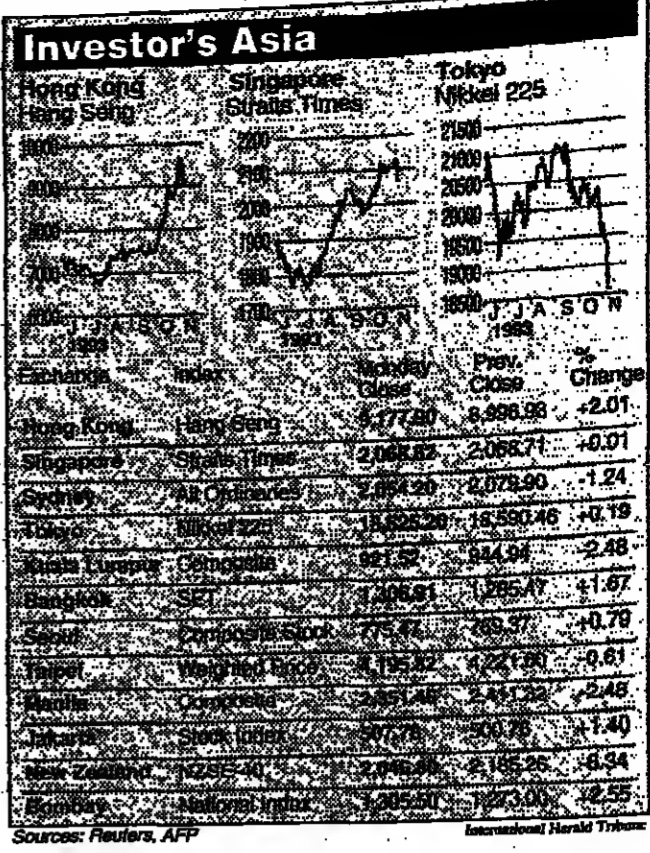
The Japanese companies involved—Nippon Oil Co., Nikko Kyodo Co. and Arabian Oil Co.—cited depressed domestic demand and low oil prices as reasons for the cancellation, which they said had been agreed to by the state-owned Saudi Arabian Oil Co. as well.

The project, tentatively agreed to in 1991, also was to have included Caltech Petroleum Corp., a joint venture of Tesaco Inc. and Chevron Corp. of the United States, and aimed to refine as much as 450,000 barrels of Saudi crude oil a day.

Industry sources added that the projected construction cost of the refineries had nearly doubled since the project was conceived, to 1 trillion yen, and the slump in the oil market meant it would have been much more difficult than expected to run the refineries at a profit.

The failure of the venture may leave a large hole in Saudi Arabia's expansion plans in Asia, where it owns 35 percent of Saangyo Oil Co. of South Korea and plans to build a refinery in a joint venture with Saangyo.

Japanese government officials ruled out the possibility that the cancellation project would harm Japanese-Saudi relations.



- Very briefly: Taiwan Aerospace Corp., which last week stepped back from a jet co-production agreement with British Aerospace PLC, disclosed a preliminary plan to cooperate with the American aerospace concern AlliedSignal Inc. in the satellite business.

ASIA: Dragons Lose Jobs to China, but Gain Market

Continued from Page 11 China has scored, first to such Southeast Asian countries as Indonesia and more recently to China, as those nations developed huge garment-manufacturing industries.

The China market is the main factor behind the 6 percent gain in exports that Seoul has seen so far this year, which was led by autos (up 64 percent), steel (up 24 percent), machinery (up 24 percent) and electronic products (up 11 percent).

Taiwan has recorded similar export gains primarily as a result of demand from its political enemies on the Chinese mainland. Despite this dynamism, the experience has not been painless for the South Koreans and Taiwanese who lost their jobs.

Tokyo in Talks With Beijing On Car Market

BEIJING—A delegation of Japan's top automakers opened talks Monday with China's State Planning Commission to try to secure a greater share of what could be one of the next century's biggest markets.

The members of the Japanese Automobile Manufacturers Association, led by its chairman, Yutaka Kume, chairman of Nissan Motor Co., opened four days of talks.

AMEX Monday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect intraday trading elsewhere. Via The Associated Press

Table with columns for 12 Month High, Low, Stock, Div, Yld, PE, 100s, High, Low, Last, Chgs. It lists various stock indices and their performance.

12 Month High, Low, Stock, Div, Yld, PE, 100s, High, Low, Last, Chgs.

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# Privatization in Europe

## Labyrinth of Party Politics Holds Up Italian Progress But Now Some Dates Have Been Set

By Karina Robinson

**L**ONDON — Calling Italy's privatization program a disaster may yet be premature; still, it has moved at a pace so slow that it beggars description. More than a year ago, the government stated its aim of raising 11 trillion lire from privatization in 1993. Up to now, it has managed to raise only around 437 billion lire.

But within the last two months Prime Minister Carlo Azeglio Ciampi has taken the step of setting dates for the privatization of two state-owned banks, Credito Italiano and Banca Commerciale Italiana (BCI), as well as suggesting that the financial services group IMI will also be privatized soon.

The reasons for the delay lie in the Byzantine corridors of Italian power. Each state-owned enterprise tends to be the fiefdom of one or another of the political parties, which are far from willing to give up sources of rich patronage. The combined might of Mr. Ciampi, a former central bank governor, and Romano Prodi, who has been an advocate of privatization since his last tenure as head of state holding company IRI in the 1980s, seems to finally be prevailing over party interests.

Two factors have been instrumental in forcing the government to take action. One is the success of French Prime Minister Edouard Balladur's privatization of Banque Nationale de Paris. It not only put the Italian efforts to shame in terms of speed, but the French government's plans to privatize two other banks means the competition for equity funds interested in investing in European banking stocks will be intense.

The second factor is economic, said Giuseppe Albanese, Italian analyst at Standard & Poor's MarketScope. "Government credibility is at stake if the public deficit target of 145 trillion lire [\$90 billion] for 1993 is surpassed. The latest indications show a deficit of 151 trillion lire, due to lower proceeds from privatizations — there were fewer of them, at lower prices than forecast — and lower than expected fiscal revenues due to the recession."

The economic climate is also to blame for the delay in privatizations. The government tried a trade sale of Credito Italiano but failed to find any takers, either foreign or domestic. As a result, it was forced to announce a flotation of its 67 percent stake in the bank, as well as the conversion of all savings shares into

ordinaries so as to simplify the operation. The road show and marketing will take place this month, and the price will be set in December. The same structure is envisaged for IRI's 57.4 percent stake in BCI, although this will not take place till next April. Italian gossip has it that merchant bank Mediobanca offered 5,100 lire per share for BCI to fulfill its aim of creating a northern Italian financial entity. Instead, the government will probably have to offer the shares to investors at a discount to net asset value of over 20 percent, which translates into a per share price of 4,800 lire, according to Antonio Tognoli, banking analyst at Milan brokers Intersim.

But, ironically, Mediobanca could well end up with control of BCI while paying less than it originally offered. This is despite the government decision that no single shareholder could have more than 3 percent of the bank. Mediobanca could achieve its rumored aim through a "shareholder pact," an old Italian institution that allows a group of shareholders, often with no more than a 2 percent stake each, to join together and achieve control with a minority stake of perhaps 30 percent. Other shareholders are too dispersed to act together and therefore end up as de facto minority shareholders without a say in how the company is run.

**M**EANWHILE the political factor is still causing problems, with the recent resignation of Industry Minister Paola Savona, although later withdrawn, pinpointing the latest squabble. This involves an argument about whether privatizations should be done as simple public offers for sale in the British mold, or whether a *royal dar* of core shareholders should be put in place. Mr. Ciampi patched up the Savona crisis by stating that each privatization would be decided on a "case-by-case basis."

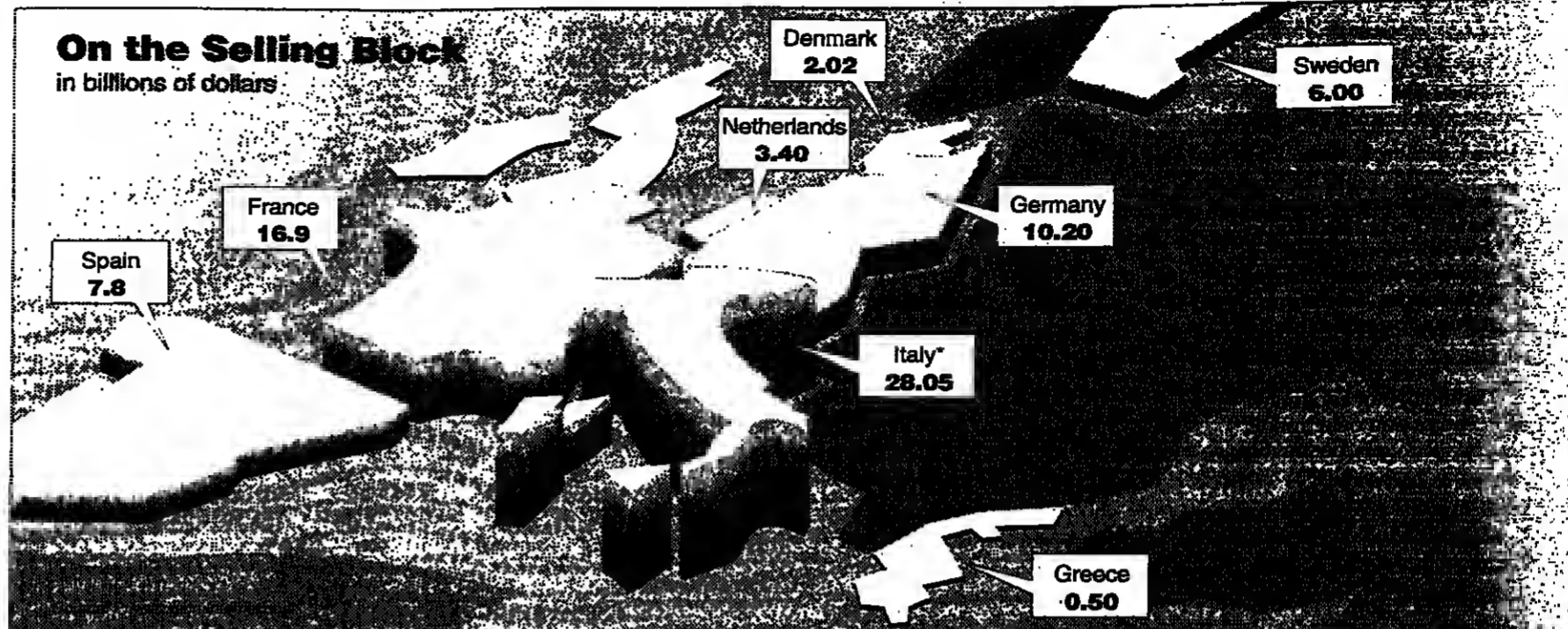
And there are certainly a large number of privatizations still to go. The Italian government's list of 19 is only slightly shorter than the French government's. It includes appetizing morsels such as the telecommunications group Stet, and energy company AGIP, as well as indigestible loss-makers like steel company Ilva.

This makes it all the more crucial that the Credito Italiano offer in December should be a roaring success. Working against it are the prob-

Continued on page 17

### On the Selling Block

in billions of dollars



## Unemployment Slows Headlong Rush to Sell

By Conrad de Aenlle

**P**ARIS — Autumn was to have been the start of the Great European Asset Sale. Governments had finally figured out that private owners do a better job of running businesses than they do. By selling off the PTTs, the airlines and the rest, they were going to ensure that these enterprises — and their entire economies — would run more smoothly; at the same time they would bring badly needed revenue into their treasuries. That, at least, was the theory. So far, it hasn't worked out that way.

There was one success: France, encouraged by the strong demand for shares of Banque Nationale de Paris, decided to get while the getting was good and immediately announced that Rhône-Poulenc would be put on the block next, followed by Elf Aquitaine. Then the Balladur government caved in to angry employees disrupting operations at Air France. The airline's sale to the public is in doubt and potential investors wonder what's in store for them should they take a chance on any other French industrial privatizations.

In Italy, meanwhile, endless bickering over

the best way to dispose of state enterprises is holding up their sale. There was no argument in Greece: Andreas Papandreu, the unapologetic Socialist returned to power as prime minister, canceled plans to sell a 30 percent stake in the phone company to a foreign buyer on his first morning at work, before any opponents could utter a dissenting opinion or even hang up their coats.

There is plenty of dissent in Britain, where authorities would love to let the loss-making British Rail loose on the private sector, only one outside the government seems to have anything good to say about the plan.

Just a few months ago, there was hardly a discouraging word for the ambitious programs to sell off state enterprises "in rich countries, poor countries, capitalist countries, ex-communist countries, even in places that still claim to be communist," as an enthusiastic cover story in *The Economist* described them. It noted that \$69 billion of state assets had been sold worldwide in 1992, pushing the total since the mid-1980s past \$300 billion. "By any measure, a transfer of ownership on this scale is a global economic revolution," the article said.

True enough, only now it's not certain that the governments have as much fight in them as

had been supposed. Nor is it assured that most of the sales that had been announced will take place according to schedule, or at all. What's behind this severe case of seller's remorse?

Two things: politics and economics, with the first in heapier measures. Economic growth has stalled at close to zero for the last several years, and unemployment is in double digits across much of the Continent.

**T**HE hesitation to sell in such an environment reflects a belief that privatization costs jobs, but Rodney Lord, editor of the newsletter *Privatization International*, finds that not to be the rule.

"It's not true that all privatized companies reduce employment," he said. "It is true that many of them do because they've been heavily overstaffed. When political imperatives are removed, the necessary slimming can take place. But in an economy where resources are allocated appropriately, employment is bound to benefit." In the long run, anyway. The trouble is elections often come up in the short run, and so sound economics gets shunted aside in favor of unsound politics.

"In some countries politics has reared its ugly head," said Roger Palmer, chief invest-

ment strategist at Kleinwort Benson Securities. "You've got short-term problems that are taking a long time to resolve."

In one sense, times are not hard enough, Mr. Palmer suggested. If European economies would sink further, it might force leaders to clean up the resolve to go on with their privatization programs at full speed.

"How did Argentina, of all places, manage to put its economy on the straight and narrow and the European countries haven't been able to?" he remarked. "Europe hasn't suffered enough pain for politicians to bite unpalatable bullets. They're still worried and electorates are still worried about what's happening right now to look ahead."

Eastern Europe is one place where leaders are easing back on their reforms, notes Richard Conquest, chief economist at the Daiwa Institute of Research. Privatization is proceeding, but not at the envisioned shock-therapy pace.

"The problem is so many companies are insolvent," he said. "We know about enterprise credits that in theory have been holding up the solvency of some enterprises. If they are reduced or eliminated by the central banks, then

Continued on page 18

## Partial Privatization of Electric Power Supply Companies in Hungary

Privatization of the electric power supply in Hungary, to be implemented in two phases, reached an important stage at the end of 1993. Even amid the existing conditions and well-known difficulties, the State Property Agency (SPA) managed to consistently realize targets it set some two years ago with the approval of the ministries involved. As a result, until noon, November 15, 1993, the SPA is inviting applications from strategic professional investors who undertake to purchase 15 percent of the SPA's share package in the subscribed capital of the six Hungarian electric power supply companies and, at the same time, obligate themselves to subscribe a share package corresponding to a minimum of 10 and a maximum of 15 percent of the subscribed capital during a raise of the subscribed capital to be effected later.

Antecedents include the SPA's development of a two-stage, concern-like joint-stock company system out of a part of the Hungarian Electric Works Trust and its member companies, which started functioning on January 1, 1992. The fundamental purpose of the transformation is partly to update the ownership, management and organization structure of the Hungarian electric power industry and partly to create conditions for the implementation of gradual privatization in order to draw the necessary capital for the development of the electric power industry.

The special situation of the branch, its tasks and role resulted in the creation of a peculiar organizational and ownership structure. The upper level of the concern is represented by the Hungarian Electric Works Rt. (MVM Rt.), and the sub-share company level consists of 15 companies (eight power works, six network current suppliers and one basic network). On the basis of various bilateral contracts, MVM Rt. is responsible for system management tasks related to members of the integrated organization of the second level.

A typical system of ownership relations has evolved: the State Holding Company (AV Rt.) owns 99.8 percent of the shares of the MVM Rt. (AV Rt.'s task is to manage property retained in long-standing state ownership.) In companies on the sub-share company level, MVM Rt. owns 38-50 percent of the shares, the SPA has 38-49 percent, and local governments have a maximum eight percent holding in each company. Also, mines attached to power works have 12-17 percent shares each in the three power works companies.

Because the task of the SPA is the utilization of property in temporary state ownership, it has developed the two-stage privatization schedule of its ownership share in the electric power supply companies by applying efficient privatization methods. The first step is partial privatization, including the utilization for compensation purposes of a share package corresponding to 10 percent of the subscribed capital, the setting aside of a share package corresponding to 15 percent of the subscribed capital to be offered for

social security authorities, and the sale of a share package corresponding to 15 percent of the subscribed capital. For the latter, the SPA invited an open, single-round tender, whose submission deadline is noon, November 15, 1993.

The second stage is full privatization, whose principles, including the sales method of the remaining "free" shares, are to be defined later according to the results of utilization for compensation purposes, the attitude of social security authorities and the experiences of sales.

It should be mentioned that the SPA transformed the registered shares of three network current supplying companies in December 1992. Thus the shares of the North Hungarian Electric Power Supply Company (EMASZ) became primary shares, and those of the South Hungarian Electric Power Supply Company (DEMASZ) and the North Transdanubian Electric Power Supply Company (EDASZ) changed to interest-bearing shares.

The preparatory work for decision-making related to the SPA's ownership share and the subsequent implementation of the resolutions have been realized in accordance with the Organizational and Operation Statutes of the SPA and with the opinions of the branch ministries involved. To achieve the goals of the privatization of Hungarian electric power supply set some two years ago, the State Property Agency has invited an open, single-round tender for the selection of privatization consultants. As a result of the tender, five consulting companies are extending their expert assistance to the electric power supplying companies. In addition, the SPA has its own privatization consultant, the Allen and Overy company of Britain.

Professional investors have been invited to participate in the tender for the partial privatization of network electric power supply companies. In addition to the purchase of the 15-percent share package, investors must simultaneously obligate themselves to subscribe a 10-15 percent amount of shares during the subscribed capital raise of the company in 1994. This system of invitation (anticipating and requiring the application of strategic professional investors who, in the longer term, expect a fruitful presence and who, depending on the magnitude of capital subscription, may have a substantial share) is in compliance with the characteristics and conditions of the electric power industry. Appropriately, strategic investors take into account a period of 10-20 years and do not attempt to ensure an immediate dividend.

According to plans, cost-proportionate prices must be set until 1996, as the present price level does not ensure the expectable capital returns and does not cover emerging real costs.

Raising the subscribed capital is aimed at creating conditions for profitable results, contributing to the implementation of the principal targets of privatization of the whole electric power industry. These targets are the following: a substantial capital is required

for the renewal and development of the electric power industry and its adaptation to European norms of environmental protection, which can be ensured in the medium term only by external investment. It is also a condition for the long-term viability of the branch. The application of developed technologies and increasing the efficiency of electric power production, forwarding and supply are also imperative for renewing the branch. Privatization promotes the establishment of market conditions and the application of management and know-how. Implementing privatization with the help of strategic professional investors may promote Hungary's fast linking up to the Western European electric power system (UCPTE).

The schedule of the privatization transaction is rather tight. The invitation for the open, single-round tender was published in Hungarian newspapers on October 8, 1993, and applications must be sent to the SPA by noon, November 15, 1993. Tenders will be opened on the same day, and the Board of Directors of the SPA plans to decide on the winners at its session at the beginning of December. If everything goes as planned, the purchase and sale contract with the selected strategic professional investor can be concluded by December 15, 1993.

Completing the privatization transaction this year ensures the raising of the subscribed capital of the companies in 1994, thus improving their liquidity position, ensuring the financial resources for necessary development projects and creating favorable conditions for future financial investors.

Overcoming certain difficulties is unavoidable for the successful privatization of the electric power industry. Public utility services, including the electric power industry, are functioning in Hungary mostly as natural monopolies. Consequently, the introduction of related legal regulations is also needed. The amendment of Act IV of 1962 has not fully met this expectation. A fundamental aim of the new draft law on electric power supply, recently submitted by the Hungarian government to Parliament for urgent discussion, is to fulfill these requirements.

At present, the price level of electric power is pressed and does not ensure sufficient capital returns. Neither does it fully cover actual costs. Also, the presently applied tariff structure carries the possibility of further distortions. The achievement of a cost-proportionate price structure is possible only in a few years' time. It is expected that reconciliation talks going on between the Hungarian government and the World Bank will fruitfully and favorably promote the realization of these tasks.

Finally, it should be pointed out again that, in view of today's targets, the privatization of the electric power system will take place in two stages. The long-term privatization strategy of the electric power branch will be set up parallel with the sale of the share package.

Károly Csabai

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Privatization in Europe / A Special Report

Czechs Endorse A Revolution Second Wave of Offerings Will Liquidate State Control

By Philip Crawford

PRAGUE — Despite the difficulties of a fragile infrastructure overburdened by the weight of rapid, fundamental change, the Czech Republic is poised for the completion of its goal to privatize all sectors of its formerly state-controlled economy.

As the so-called "large-scale privatization" program enters its second wave this fall, the shares of roughly 1,000 newly privatized companies are already trading on the fledgling Prague Stock Exchange, and about 400 investment funds have been launched. Shares of an additional 770 enterprises are currently being bid for by Czech citizens through the government's unique voucher system, which proved so workable during the first wave of privatizations.

Czech authorities forecast that by the end of 1994, more than 90 percent of the country's assets will be in private hands, whereas roughly 95 percent of all Czech assets were state-owned as recently as 1989.

Such a dramatic turnaround in economic orientation in so short a time, without sustained political backlash, is no less than stunning, say securities industry analysts. "Overall, the privatization program has been a fantastic success, an overwhelming success," said Richard Wood of Wood & Co., a Prague brokerage serving institutional investors. "By the end of next year, the Czech Republic will be the most privately owned country in Europe, and just a few years ago, it was one of the most state-owned. At this point, there's about \$70 million coming into the Czech equity market every month."

The Slovak Republic, constitutionally separate since the federation linking the two states was dissolved last year, has undergone its own similar privatization process, but on a smaller scale. Share trading on the Bratislava Stock Exchange began on July 1, about 10 days after it began in Prague.

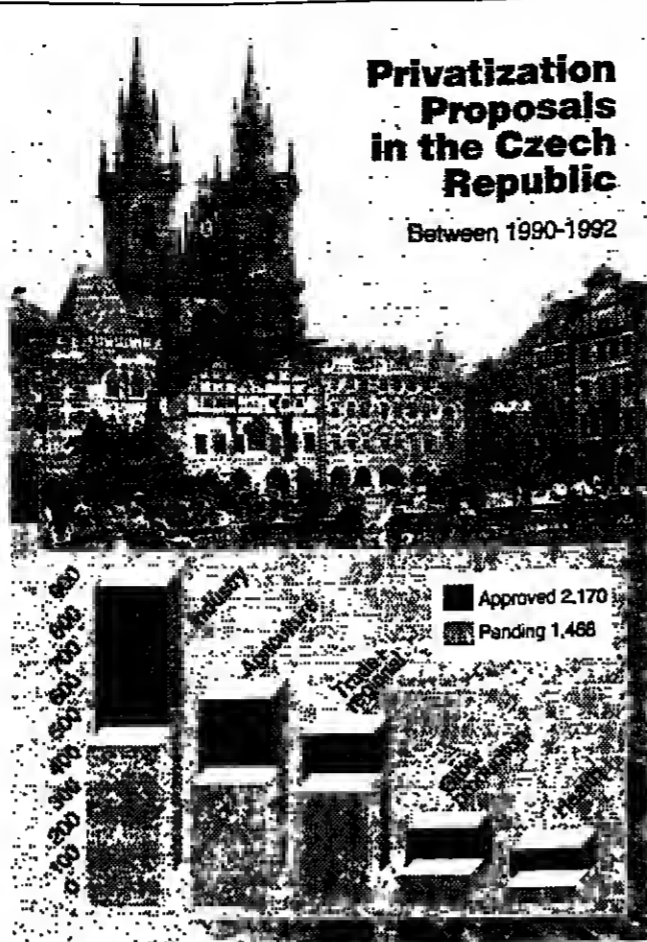
Analysts credit several factors for the success of the massive Czech project: a well-thought-out, multi-dimensional plan, a population

that was ready to embrace the concepts of private business and holding shares, and an economy situated in the heart of post-Cold War Europe with such huge potential that corporate giants from the United States and Western Europe have fallen over each other to attain a foothold. Between January 1990 and March 1993, direct foreign investment in the Czech Republic totaled \$1.86 billion, with U.S. corporations such as Procter & Gamble and Westinghouse, and German automaker Volkswagen AG leading the charge.

The roots of Czech privatization go back in 1990 when, for the first time in 41 years, a democratically elected, pro-free market government came to power in Czechoslovakia under President Vaclav Havel. Shortly thereafter, an overall design for the privatization process was developed that included four basic components: the restitution to owners or their descendants of land and commercial properties nationalized between 1948 and 1959; the return of similar properties to municipalities; a "small-scale privatization" program that involved auctioning off more than 21,000 small businesses such as retail stores and restaurants to private owners; and the "large-scale privatization" of larger companies using the voucher system, whose conception has been credited to Prime Minister Vaclav Klaus.

IN the voucher system, citizens pay a nominal fee of 1,035 koruny (\$34), just enough to cover administrative costs, for a booklet of investment coupons that can be exchanged for shares of newly privatized companies or of funds investing in those companies. The booklets for the second wave of privatizations went on sale in Czech post offices on Sept. 29, and interest is reported to be as enthusiastic as in the first round, when more than 8 million Czech and Slovak citizens signed up for shares in properties worth over 650 billion koruny.

The process through which companies have been approved for privatization has perhaps influenced their long-term viability.



Source: Ministry of Privatization of the Czech Republic

Privatization Proposals in the Czech Republic

Between 1990-1992

Approved 2,170

Pending 1,468

say some analysts, since the government allowed many competing proposals to be submitted for the same business. The healthy competition may have resulted in leaner, more efficient ideas being put forth and ultimately approved.

"Each proposal had to include a very detailed business plan, so you got several perspectives on how the company could be run," said Michael Gold of USAID, an American advisory group to the Ministry of Privatization in Prague. "Also, the proposals didn't have to be for the whole company, but only for a part of it. Market-driven competition and restructuring were kind of built into the process."

Of the 1,000 or so companies available on the Prague exchange, which is open for trading only on Tuesdays, about 200 are active every session. Of those, perhaps five companies have emerged as the bluest of the blue chips: CEZ, the electric utility, banking concerns Ceska Sportelna and Komerční Banka, chocolate maker Kokoladovny, and tobacco concern Tabak. About 10 of the 400 Czech investment funds dominate the market.

Analysts in Prague say that a foreign retail investor would have to come to the Czech capital and

set up a private bank account, which is relatively easy to do, to be able to buy shares directly on the Prague exchange or to buy into Czech investment funds. Accordingly, most experts say that the best way for foreign individuals to gain exposure to the Czech market is through offshore funds, which have more practicable channels of access.

Amid the considerable long-term bullishness on the Czech market, however, problems do persist. What's the worst of them? "Telephones," lamented Mr. Wood of Wood & Co. "The infrastructure has a long way to come." William Crawford of Fleming Investments Ltd., which manages the Czechoslovakian Investment Corp., a Cayman-domiciled fund listed on the London Stock Exchange, concurred that difficulties with infrastructure, as well as with language and cultural barriers, make investing in the Czech Republic a challenge. "No one who hasn't been there and tried to do business there knows what it's like," he said. "But that being said, we're extremely bullish on the Czech Republic over a five- to ten-year period."

PHILIP CRAWFORD writes about finance and economics from Paris.

Germans Turned to Foreign Deal-Makers Treuhand Cites Lack of Local Experience in Great Sell-Off

By Miriam Widman

BERLIN — The Treuhandanstalt, Germany's privatization agency, awarded its biggest and most lucrative deals to non-German mergers-and-acquisitions specialists, but German banks and consulting companies are not complaining much and industry experts say the massive sell-off of East German companies has helped the fledgling German M&A industry.

The Goldman Sachs, Morgan Stanley and S. G. Warburgs of the world were awarded the giant contracts for two simple reasons, according to Karl-Hermann Klöttschen, director of investor services at the Treuhand: They have better contacts abroad than German M&A companies and more experience in the business.

"It was a conscious step to get foreign investors," he said. Additionally, the agency wanted to ensure that no potential conflict of interest popped up. "A foreign company doesn't have to take any local clients into consideration," he said.

Credibility, experts say, is the key. While there have been complaints from within the German Federal Cartel Office that the Treuhand's sell-offs have favored West German companies, the agency defends its record. Mr. Klöttschen notes that 10 percent of the 180 billion Deutsche marks (\$106 billion) in promised investment comes from foreign firms, which he says is quite good.

Investment advisers say convincing foreign investors that they have the same chance as a West German is crucial.

"You need a lot of credibility to ask an American firm to take over a heavy loss-making company in the East," said Paul Achleitner, co-director of investment banking for German-speaking countries for Goldman

Sachs. "You need a reputation that bids aren't being used to shop around to raise the price for the Germans."

The relative lack of experience of German firms in the M&A sector hurt them as well. Simply put, the corporate culture here does not allow for raiders and white knights.

Benedikt von Schroder, an executive direc-

tor at Morgan Stanley in charge of corporate finances for Germany, put it bluntly: "Investment bankers don't grow on trees in Germany. It's very tough to find people."

Others feel that they are unfairly looked down on by non-German firms. Frankfurt Consult, the consulting and M&A arm of the BHF Bank in Frankfurt, has been in the business for more than 10 years. A spokesman said the bank handled some Treuhand privatizations, but was not dependent on the East German sell-off for added experience.

Still, outside experts say the German market has a ways to go to meet the international standards. German experts focus more on consulting than deal making. Mr. von Schroder said, and the market is more of a "do-it-yourself market," where banks and consulting groups do not play that big a role. But he noted that 20 years ago, consulting was not big in Germany, and now it is.

"If you ask the deals [German firms work on] small, the answer is yes," said Mr. Achleitner. "Do guys like us get the big deals? Yes. Do I see it changing? Yes. The German banks will start to improve their track record and will become big competitors."

MIRIAM WIDMAN is a journalist based in Berlin.

Italian Labyrinth Holds Up Progress

Continued from page 16

lems currently affecting the Italian banking sector. Nicholas Krasno, a senior analyst at U.S. rating agency Moody's Investors Service, said, "Italian banks have a very serious asset quality problem. The recession has bitten deep. Banks tend to lag the cycle in showing losses, particularly as loan recognition of bad losses is difficult to ascertain and is probably more of a problem than they recognize. Their individual limit for each borrower is much higher than in banks outside Italy."

The effects of the recession will result in the banks increasing their provisions for bad loans, which will affect their profits for the next two years. But investors have probably already discounted this. The success of the Credito Italiano offer, therefore, will to a large extent depend on another issue: the flow of funds.

On the domestic front, Italian households that have depended on income from treasury bonds are facing yearly interest rates of around 7 percent, when they were used in double-digit figures. As a result, mutual funds have seen record intakes in a search for higher yields. Although so far this movement has been into bond funds, mixed bond/equity and pure equity have also benefited. Mr. Albanese of Standard & Poor's thinks Italians are also keeping some liquidity as they plan to invest in privatization issues such as Credito.

On the foreign front, many international investors are bullish on the Italian stock market. They also believe that nongovernmental management of the bank will lead to cost savings and increased efficiency.

KARINA ROBINSON is a London-based journalist who reports on politics and economics in Spain and Italy.



Prime Minister Carlo Ciampi

Paris: The 200-Billion-Franc Question

By Martin Baker

PARIS — The French Economics Ministry is currently deliberating over the next step in bringing another large and successful state-owned corporation into private ownership. The flotation, as yet unannounced, of chemical giant Rhone-Poulenc on the Paris Bourse will mark the second in a series of 21 privatizations that France's center-right government announced shortly after its election this March. The stated objective of Prime Minister Edouard Balladur's administration is to raise around 200 billion francs, making the program one of the biggest ever seen.

Yet, despite the size of the task, both domestic and international observers regard the privatization program as being more realistic than ambitious, that is, of course, provided the world's markets remain buoyant.

The advice that Finance Minister Edouard Balladur is now taking comes from a specially formed commission of leading industrialists, financiers and civil servants. They are reporting on how and to whom the minister should allocate the shares that will form the "core" shareholding in Rhone-Poulenc. The concept of the core shareholding is expected to be common to all the privatizations. It is designed to provide an element of managerial and industrial stability, and to ensure that the newly privatized companies do not immediately fall prey to hostile takeover bids.

Rhone-Poulenc already has core shareholders. They are, in descending order of importance: Credit Lyonnais, AGF, Société Générale and Banque Nationale de Paris (BNP), which was itself successfully sold into the private sector in September. Core shareholders have to sign an agreement to hold a large percentage of their shares for specified periods of time. They must also agree to purchase at least 1 percent of the company. Among those believed to be seeking a core shareholding is the Italian motor conglomerate Fiat.

Aside from the core shareholding, the company's employees will be offered shares, as will French and international investors. And, of course, there will be a public offering to individuals in France. "The question the markets are asking is: 'When will it all happen?'"

ever. "I would expect it all to occur some time in the second half of next January," said one Paris-based banker, who added that this was the original timetable for the sale of the company.

If that is so, there may be a happy coincidence between plan-

The problem the government must address is the perennial one of conservative investing habits.

ning and the market cycle. While BNP was sold into a raging bull market, the Paris Bourse has been in decline since the latter half of October.

The Bourse can fall 7, maybe even 10 percent, and it's still not a problem: it's a short-term phenomenon that is far from worry-



Rhone-Poulenc says, "We are ready to go."

ing," said Bruno le Chevallier, French market strategist at Parisian broker, James Capel SA.

Mr. le Chevallier is confident that, short of a market catastrophe, the government will achieve its 200 billion franc (\$34 billion) objective. There are three arguments underpinning his reasoning: success of the "Balladur bond" (an interest-paying fiscal sweetener to entice retail money away from money market accounts), the Plan d'Epargne Actionnaire, and keen interest from foreign institutions lead Mr. le Chevallier to conclude that the French government "has almost achieved its goal already."

away, will be done. Whether it's a question of price, or of waiting to get rid of debts and make things look good for the market — one analysis of why there's delay in the Renault-Volvo merger — whatever needs to be done will be done."

Grégoire Holtzmann, chief international economist at Lehman

in addition to the vagaries of the market, and industrial difficulties, observers see the French government's ability to sell the idea of share ownership to its electorate as vital to the overall success of the program. Again, the problem the government must address is the perennial one of conservative investing habits. Can the privatization program bring about change?

"The government did a good job promoting the liquidity and transparency of its bond market," said Mr. Holtzmann. "If it can do a similar job of promoting the benefits of privatizing some of its companies, the issues will go well. As for changes in mentality, I just don't know."

Mr. Haski, however, believes the beginning of a major change in investment behavior is occurring: "For the past two-and-a-half years in the United States, and the past year in the United Kingdom, we have seen a huge rush to equity fund investment. That's partly because of low interest rates. And partly for that reason in France we have seen investors over the past two to three months come flocking into the mutual fund market."

Mr. le Chevallier at James Capel is more skeptical. While he sees that privatization "will bring a better equilibrium in investors' portfolios, it's not true to say that there's a new generation of investors out there waiting to play the stock markets like individuals do in Anglo-Saxon countries. These things change very slowly."

For the moment, the consensus view is that, whether there is any change in long-term investing habits or not, the program will sell to French consumers. That impetus, plus the undoubted interest from international institutions, should see the government with 200 billion francs in its coffers by 1995.

MARTIN BAKER is editor of the International Herald Tribune's Money Report.

AGF GROUP - 1st HALF 1993. NET EARNINGS: FF 1,411 MILLION. PREMIUM INCOME: FF 32.6 BILLION. Includes charts for Insurance Operations AS at June 30, 1993, Insurance Outside France, Insurance in France, Banking, Finance and Real Estate Operations, and Group Holding Companies.

Privatization in Europe / A Special Report

# Tories Keep British Rail On Track for Big Switch

## Timetable Contains Political Risk

By Robert Bailey

LONDON — The British government's move to sell off British Rail to the private sector is thought by some to be bold and imaginative; by others it is seen as muddled-headed and doomed to failure. For an administration with ebbing public support and a small majority, it is a high-risk political strategy.

Releasing the railroads from public control has wider implications since it represents the beginning of the end of a long campaign by the Conservative Party to roll back the state's involvement in the British economy. As such, it is a watershed.

Gas, water, electricity, steel, telecommunications, airports, the national airline, ferry services and now railroads have all been returned to the private arena. What is left of Britain's coal industry is also due to part company with the state during the present government's tenure.

The ideological undercurrent has never been far from the surface in the debate over the 117-page bill ending state control of British Rail, which completed its passage through Parliament on Nov. 4.

Completion of the bill marks a new era for Britain's railroads, which have been owned and operated by the state since 1948. The business to be passed to private control is huge. About 130,000 people are employed directly by BR with another 50,000 jobs estimated to be dependent on BR operations. The network operates 16,000 trains a day carrying 2 million passengers. BR also carries 130 million tons of freight a year.

According to the government, the objectives of rail privatization are to improve the quality of services. The time has come, it says, "to harness the management skills, entrepreneurial flair, ideas and capital of the private sector, in order to provide a better railway system."

Transport Minister John MacGregor has pointed out the limitations of BR's present structure: "The existing culture is not the best starting point for taking our railways

into the 21st century. It is about keeping the trains running rather than the market-oriented thrust of identifying what the customer wants and then being flexible enough to deliver."

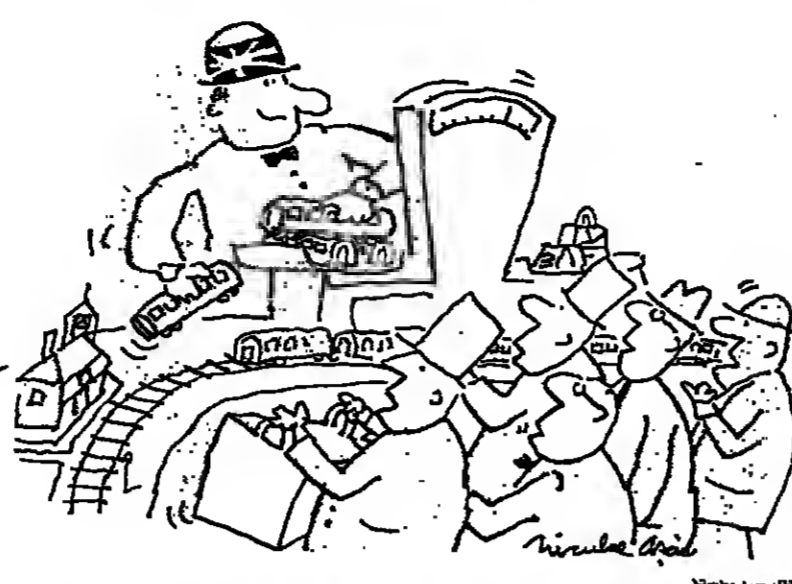
The BR chairman, Sir Bob Reid, in a speech in March, echoed some of this sentiment when he said: "In far too many areas of the railway operation we still have in place thoroughly outdated working patterns that are simply not geared to the needs of a live and busy railway at the end of the 20th century. They involve us in grossly excessive amounts of overtime, too many hours of work that are spent unproductively, more working of anti-social hours than is necessary, and less safety for many of those involved."

However, different groups have expressed apprehension over the prospect of change. The Union of Rail, Maritime, and Transport Workers estimates that more 50,000 BR jobs could go. Consumer groups are fearful that services will be chopped and fares increased. An opposition Labour peer, Lord Clinton-Davis, has said: "We believe the bill represents useless baggage of Tory ideology, which, frankly, should be consigned to the lost property office of decomposing ideas, never to be heard of again."

LABOR'S spokesman on transport in the House of Commons, Brian Wilson, has stated: "It is inescapable that rail privatization equates soaring fares and fewer services and that it casts a long shadow over the very existence of many routes."

Many observers across the political spectrum agree that rail privatization is likely to take much longer to implement than envisaged by the government.

Ownership of track, stations, and infrastructure is to be transferred to a new government-owned company called Railtrack, which will eventually itself be privatized. The new organization is expected to be vested in April next year. It will manage signaling and the track, and charge for access to this.



Nikolaus Adam: NYT

Railtrack will be able to apply for capital grants for new investment programs but will meet costs from franchise revenues and not receive any government subsidy.

BR's rolling stock is to be transferred to three companies, which will lease this to franchisees and, until these are appointed, to BR's operating divisions.

Railroad stations are to be managed by the private sector. All of BR's present passenger services are to be franchised progressively over the next few years. There will also be opportunities for private sector operators to run entirely new services with rights to open access to track.

Starting in 1994, 26 BR-owned "shadow" franchises and train companies will operate passenger services until they are taken over by the private sector under franchise. The shadow franchise involves BR setting up the operation as a defined management and financial operation with services such as London Victoria to Gatwick Airport, paying for its overhead and producing a working set of accounts as if it were a fully independent company.

There may be up to 40 franchise operators but it is expected that this will take 10 years or more to come about. Those seeking a franchise must obtain an operator's license from the regulator, who must approve every access agreement between Railtrack and operators.

Franchisees are to be awarded to those

operators who can meet specified service requirements for the highest premium or least subsidy. In return, they will have the right to operate particular train services for up to 10 or even 15 years.

As the private sector measures its options, wider concern has been expressed over the rail system's future funding arrangements. There is little doubt that if the integrity of the present network is to be maintained then very large expenditure is going to be needed.

Much of the system's equipment is 30 years old or more. Some of BR's infrastructure dates back to the first half of the 19th century. It is estimated that simply to maintain the existing network requires investment of about £850 million (\$1.275 billion) a year.

Sir Bob Reid has warned that if private-sector leaders cannot pick up the challenge, they should say so clearly, "so that we do not waste time pursuing pipe dreams."

The public has yet to be persuaded that the government has acted wisely with regard to BR. Major-General Lennox Napier, chairman of the Central Transport Consultative Committee, which acts as the rail users' watchdog body, has said: "Passengers are being taken on a journey into the unknown. It remains to be seen whether the destination is one where they may want to go."

ROBERT BAILEY is a journalist based in London.

# Getting the Message to Market

## Admen Shift Strategy to Lure Shareholders

By Jacques Neher

PARIS — Six years ago, French film star Catherine Deneuve was employed in a TV commercial to sell the countertop unit buying shares of Compagnie de Suez, the financial holding company the government was privatizing.

This month, Rhone-Poulenc SA, the chemicals and pharmaceuticals giant, is running newspaper ads for its upcoming privatization featuring a pair of shapely legs dressed in silky transparent pantyhose.

The headline on the ad declares, "When Rhone-Poulenc beautifies women's legs, it's good for men, it's good for stockholders."

And when France privatizes its state-owned groups, one might add, it's good for the Paris advertising industry. The current 21-company privatization program, launched this fall with Banque Nationale de Paris, is expected to pump 1 billion francs (\$170 million) into agencies and media, a welcome lifeline to sustain the industry through the economic slump.

That is more than double the 400 million francs invested in advertising in the last privatization program of 1986-88, and a recognition of the importance of advertising in the government's effort to distribute shares in state assets to the greatest number of individuals.

Campaigns for the most important privatizations are expected to run between 30 million and 70 million francs, with the agency and the government sharing the costs.

The kinds of messages conceived to sell stock to French households differ according to the company, its activities and its image in the marketplace.

For BNP, ad agency BDDP hired noted director Jean-Paul Goude to push the theme, "Let's grow together." The campaign, combined with a very attractive offer price, mailings to the bank's 4.5 million customers, and a point-of-sale program at 2,000 BNP branches, produced 2.8 million stockholders, a predictable success.

"It was a marketing steamroller," said one Paris fund manager. "Indeed, some professionals say that the novelty of the program, the high consumer awareness of the first companies to be sold and the low offering share price, makes advertising more an "insurance" than a principal tool in the marketing process.

clothing for firemen and outfits for athletes.

Indeed, the shift to the concrete in advertising for privatizations in France reflects a shift in the marketplace, say advertising professionals. Since the stock market crash of October 1987, which occurred just at the moment Miss Deneuve was asking viewers to "think about" Suez, the French have become better informed and wiser about where they place their savings.

"Things have changed," said Ms. Martin. "The type of campaign used in 1986-87 would not work now. People want less spectacle and more concreteness. The Catherine Deneuve approach is *de passe*."

The role of advertising will be much more important after the first two or three privatizations," said Maurice Lévy, chairman of Publicis. "The issues will become brutal and the companies will be less glamorous. Then it will be the task of advertising to sell the shares."

Even if it's insurance now, the agencies are leaving no room for overoptimism.

In Rhone-Poulenc's case, the company and its ad agency, Euro-RSCG, faced the problem that people still did not know much about Rhone-Poulenc other than it was a big chemical company.

"Our image was rather good, but since we didn't have any consumer product, and we weren't present on the street like BNP, people didn't really know what we make," said Nicole Martin, the company's advertising director.

As a result, Euro-RSCG proposed a campaign aimed at informing the market about the company's various activities.

For example, while the legs ad in the seven-ad series plays to sex appeal, long a main feature in French advertising, the copy is less than thrilling. It goes on to explain how the company has become Europe's leading producer of polyamide thread used in stockings and pantyhose, and tells how its various threads and fibers are also used in airbags, heat-resistant

MOST of the money earmarked for privatization advertising will be invested in television and regional and national newspapers, media that can respond quickly to a governmental decision to begin a sell-off.

Pre-marketing advertising, of the sort Rhone-Poulenc is now running in France, typically lasts for two or three weeks, while the actual stock subscription period, in which the shares carry the government's offer price, lasts only a week at the most.

The advertising bonanza has sharpened the wits of Paris ad agencies, who now are given no guarantees they will win the privatization accounts, even if they already serve as agency for the company about to be sold. For example, the government's privatization committee picked BDDP to do BNP's sell-off, even though Euro-RSCG was the bank's agency of record.

JACQUES NEHER is on the staff of the International Herald Tribune.

# Sink or Swim for Dutch Float

By Philip Crawford

PARIS — It will be the largest privatization of a European telecommunications company since British Telecom sold its first shares to investors nearly 10 years ago. The big question is: Will it work?

Ever since the Dutch government announced in March that it would sell a majority stake in state telecommunications monopoly Koninklijke PTT Nederland NV, known as KPN, investment community wires have been humming with speculation over how the shares will be received in the crucial domestic market. Nowhere has the interest been more intense, outside of The Hague and Amsterdam, than in Paris and Frankfurt, since the success or failure of the KPN offering could be a barometer of what lies in store for France Telecom and Deutsche Telekom, also slated to go public.

With the floating of KPN shares expected during the first half of 1994, the talk has turned to how the Dutch government plans to stir market interest at home, where the concept of holding shares is still somewhat foreign, and to how KPN as a company might measure up against the likes of British Telecom (BT) as the European Community heads toward unregulated cross-border competition in the telecom sector by Jan. 1, 1998.

Most securities analysts appear optimistic on how the KPN offering will be received — by international as well as domestic investors — and on the company's financial, operational, and managerial strength. Many past precedents, moreover, are encouraging: Shares of British Telecom, Telekom Malaysia, and Hong Kong Telecom, for example, all performed well in the first few months following privatization. Officials at KPN are no doubt watching Singapore as well, where the initial float of Singapore Telecommunications Ltd. just 10 days ago was massively oversubscribed.

But no one in the Netherlands is celebrating just yet.

"There's lots of interest in the offering so far, but most of it has been from institutional investors," said Roel Goossens, who follows the Dutch market for the brokerage James Capel & Co. in Amsterdam. "Interest by private investors will have to be created, by brochures, publicity campaigns and that sort of thing."

While a fair amount of the nuts and bolts of the privatization has yet to be determined, some final decisions have been made. Roughly a third of the company will be offered in the first tranche, with the second float set for 1997. The lead underwriter will be Dutch banking giant ABN AMRO Holding NV, with Internationale Nederlandse Groep NV and Rabobank Nederland BA, two other premier Dutch banks, also playing significant roles. Foreign underwriters have yet to be chosen.

The most crucial decisions yet to be made, of course, are the ones that could make or break the deal: exactly how many shares will be offered, and, most importantly, at what price. "Engineering a price that the market can be comfortable with will be a challenge," said Douglas Wright, European telecom analyst at Crédit Suisse First Boston in London. "But there are lots of reasons to feel positive about demand for the shares. Holland is coming out of recession, the Dutch guilder is a hard currency, and KPN is a well-managed company. The shares should be attractive to international investors, and I expect considerable domestic interest as well."

Other analysts say that for the float to be successful, at least half of the shares must be bought by Dutch investors, and half of those by retail as opposed to institutional buyers. Current estimates place the total market value of KPN at about 21.5 billion guilders (\$11.3 billion).

The last major privatization of a state-owned firm in the Netherlands took place in 1989, when chemical giant DSM NV was brought to the market in two tranches priced at 108 and 125 guilders. The fact that DSM is now trading in the 103-guilder range could be a burble for the Dutch government in generating local interest in KPN shares.

# Unemployment Slows Rush

Continued from page 16

bankruptcy on a huge scale will surely follow. That's something the new democracies are worried about. There's no point in exposing fragile enterprises to the full weight of competitive pressures when for half a century they've existed in an unreal world."

That attitude pervades French thinking, as well. "There's still a feeling that the state wants to keep some kind of control at arm's length and not release these companies Anglo-Saxon fashion to the mercies of the market," observed Mr. Lord of Privatization International.

Such a philosophy, displayed vividly in the government's promise not to go through with its plan to lay off several thousand Air France workers in its restructuring of the sickly carrier, is not the sort of thing that cheers potential shareholders.

That's one issue Mr. Lord said is complicating the privatization process, "whether companies should be prepared for privatization while in the state sector, or whether they should be sold for whatever they'll fetch and then do all the restructuring after they've been sold." He said, "There is a case for doing it now, so the taxpayer won't feel cheated, but it may be difficult for the French government to accept large-scale layoffs."

Another decision that must be made before a company is offered up to the public is whether to sell it whole or in pieces. Some state firms are so huge that if they are sold in one chunk, potential rivals may be afraid to come forth and challenge the monsters, stifling the hoped-for competition that was one of the main reasons to sell the assets in the first place.

Britain's Monopolies and Mer-

gers Commission recommended that British Gas, which was privatized as a single company in 1986, should be broken into several pieces. This would end its monopoly on the supply of gas to domestic users.

"It's easier to sell one big company," Richard Davidson, European equity strategist at Morgan Stanley, pointed out. But easier is not always better. "Several lessons can be learned all over Europe from the U.K. privatization program. In the case of utilities, you have to have a clear regulatory environment or a clear competition policy."

CRITICS find both of these lacking with British Rail, which the Conservative government still hopes to divest. Mr. Conquest of Daiwa calls the handling of the rail privatization "a major political mistake" because too little attention is being paid to the needs of passengers, who often vote Tory.

"If past experience means anything, prices to consumers will rise substantially," he said. "Those consumers live in a belt around London and other Conservative cities. This seems one privatization far."

Deciding who the buyers will be is keeping privatization from getting very hot in Italy. One alternative is the French way, issuing shares to a group of core holders who can provide stability and managerial guidance but are also likely to be the same corporate giants that have kept Italian industry from developing the vitality it would have in a truly free economy. The second is the British way, selling to small investors: but this would dump a lot of stock onto a very thin equity market.

"Successive Italian governments have been talking about pri-

vatization for several years, but very little has happened," said Mr. Lord. "There are still many arguments going on under the surface, or not so far under the surface. The future of the Italian program... very much requires the right political conditions, and it's not very clear that these are in place. Looking on the bright side, he added: "We've certainly seen quite a lot of progress since the summer, by Italian standards. The government has gone as far as appointing investment banks to value assets and set a timetable."

Despite all the hitches in Italy and elsewhere, the prevailing view is that the programs will go forth, if not as fast as had been hoped.

"It's distorting the picture to say that all these countries are having problems," said Mr. Palmer of Kleinwort. "I suspect that if we have this conversation in a year's time, you'll find many countries we're talking about now will have an improving background environment for privatization."

Despite the potential political fallout, governments realize that corporate valuations, as reflected in share prices, are high all over Europe. There is plenty of money around to throw into newly privatized businesses, so it pays to unload them now.

But there is more to it than just a one-hot injection of a few billion dollars to the treasury. By encouraging private pension plans, say through tax exemptions to buy shares, governments can relieve themselves of some of the burden of financing their citizens' retirement. And once states sell their businesses, they become somebody else's problem, one that may finally be solvable.

CONRAD DE AENLLE writes about finance and economics from Paris.

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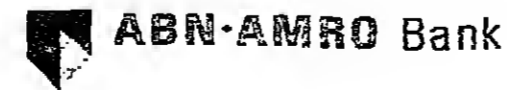
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NYSE

Monday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect bid-ask spreads.

(Continued)

Table with multiple columns showing stock prices, volume, and market data for various companies and indices.

INTERNATIONAL FUNDS

Nov. 8, 1993

Quotations supplied by funds listed. Not asset value quotations as supplied by the funds listed with the exception of some quotes based on issue prices.

Main table of international funds with columns for fund name, share price, and other details. Includes sub-sections like 'INTERNATIONAL INCOME FUND' and 'INTERNATIONAL EQUITY FUND'.

For information on how to list your fund, fax Simon OSBORN at (33-1) 46 37 21 33.

To On Tim

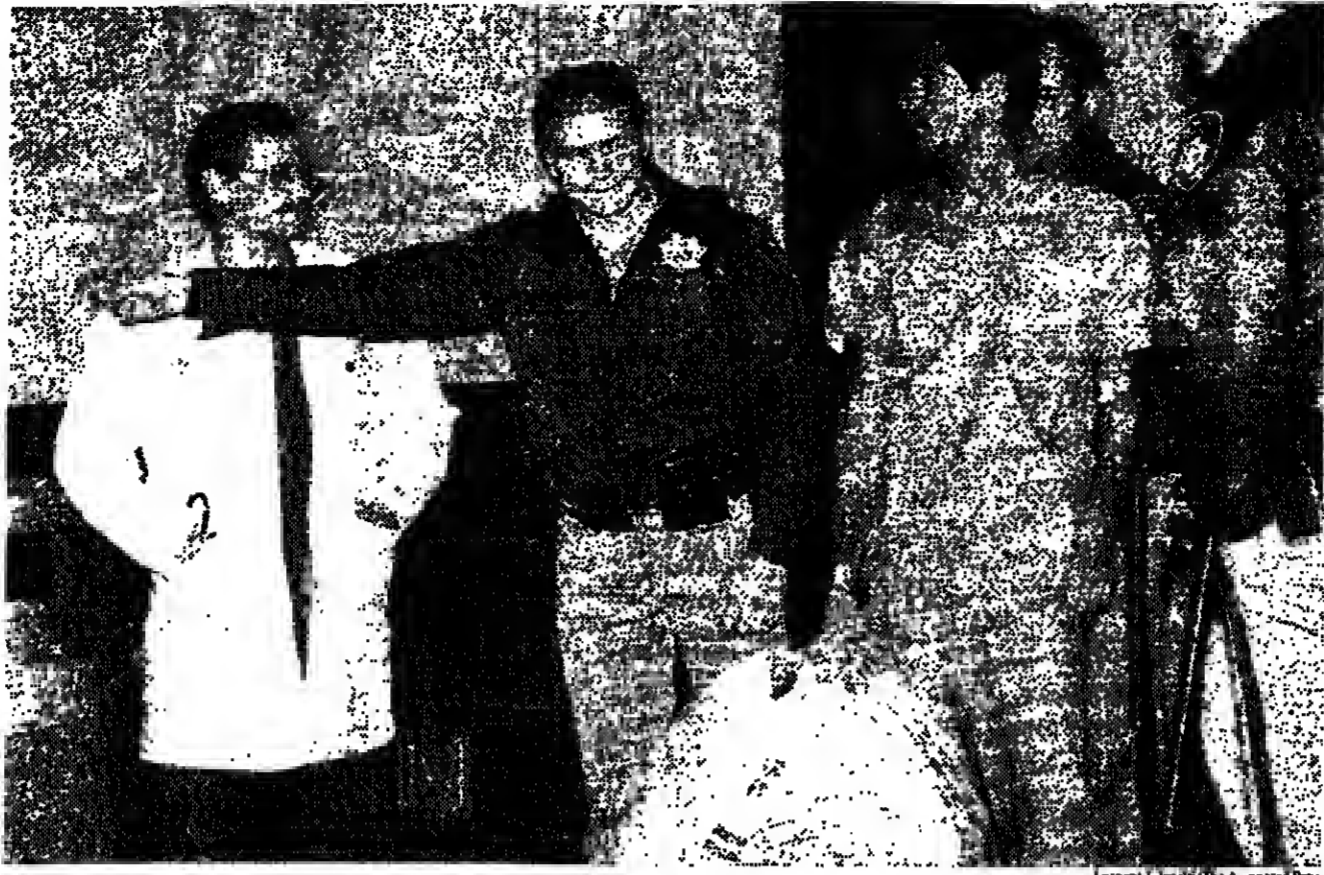
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SPORTS

Holyfield Wants Bowe III, Duva Says It's Lewis

By Gerald Eskenazi
New York Times Service
LAS VEGAS — Rock Newman always said, "I'm burning my bridges behind me."

to meet Lewis, the No. 1-ranked challenger.
According to Duva, the four best heavyweights in the world are Holyfield, Bowe, Lewis and Michael Moorer. Moorer had a contract to fight the winner of Saturday's bout but could be induced to step aside for a Holyfield-Lewis showdown if he were guaranteed a big payday in a non-title fight.



James Miller being taken by police from a hospital in Las Vegas after landing at ringside in the seventh round of the title fight.

But the two fighters said they wanted to get at each other again. Bowe, six stitches over his left eyelid and the bridge of his nose scarred from a bloody beating, said he wanted to fight Holyfield again. "There will be no Bowe-Holyfield III," claimed Duva. "But the two fighters said they wanted to get at each other again."

Lillehammer Posts 'No Smoking' Sign

OSLO — Organizers of the 1994 Winter Olympics pledged Monday to give smokers a hard time at the Games, even discouraging spectators from lighting up outdoors. Organizers, signing a "Smoke-free Games" deal with the World Health Organization, said every ticket for the Lillehammer Games would have a message against smoking, alcohol and litter on the back, while loudspeakers would broadcast anti-smoking messages.

The Charge: 'Dangerous Flying'

By William Gildea
Washington Post Service
LAS VEGAS — The man who crashed a motorized parasail into the Caesars Palace outdoor stadium, disrupting the heavyweight championship fight between Riddick Bowe and Evander Holyfield, has been charged by police with a misdemeanor: "dangerous flying."

X-rays came up negative. He was immediately taken to the Clark County Detention Center, where he was booked, then released. The \$200 bond is the standard sum for misdemeanors. His trial is scheduled for Nov. 30 in Clark County Justice Court.

going to talk to and what he's going to do. Any offers or proposals you've got, just stick it on the fax and it will be reviewed." The TVKO telecast of the fight, with pictures from a blimp above the outdoor arena, showed that Miller made several passes, using the motorized propeller, before he finally came sweeping down into the ring's ropes.

and parasailing are actually parachutes. Paragliders deploy a wing rectangular in shape; parasailors use a round-shaped wing. It is a sport that has been popular in Europe but is only catching on in the United States.

Identified as James Miller, 30, of nearby Henderson, Nevada, he was handcuffed and taken on a stretcher to University Medical Center Hospital after he toppled into the first row, where a number of people piled on him, some throwing punches. The incident disrupted the fight for almost 20 minutes and created chaos in the packed ringside area.

The recording, sometimes rambling and incoherent, said: "Hey, guys, you think this is really sane? I mean, I've never jumped off a bridge with a bungee cord attached to me before while holding onto a phone recorder. It's really stupid and silly." "Who called me a chicken? All right, I'll do it."

Paragliding is very similar to hang gliding, Cannarozzi said. The major difference is that hang gliders use a rigid, aluminum wing to support their weight, while parasailors use a flexible wing. The wings used on parasailing

and parasailing are actually parachutes. Paragliders deploy a wing rectangular in shape; parasailors use a round-shaped wing. It is a sport that has been popular in Europe but is only catching on in the United States.

Wife Commits Suicide as the Tragedies Continue for Ex-Champ Chuvvalo

TORONTO — There seems to be no end to the grief endured by George Chuvvalo's family. The former Canadian heavyweight champion's 30-year-old son, George Jr., died of a heroin overdose last week.

A haggard-looking Chuvvalo said he was devastated. "I loved her like crazy," he told CBC-TV. "She was cracker-jack smart, she had a great heart," she was "the best grandmother in the world."

Chuvvalo and his wife both came from lower-middle class families in Toronto. They married when she was just 15 and he was 18.

Chuvvalo was Canadian heavyweight champion in the 1960s and faced Muhammad Ali, Joe Frazier and Foreman. He lost to all three, but he was never knocked down in 96 fights.

Are Cuba's Boxers Now Up for Sale?

By Dave Anderson
New York Times Service

LAS VEGAS — The exodus of Cuban athletes has begun the same way it did for Soviet athletes: with a for-sale sign. Seven Cuban track-and-field athletes, including Javier Sotomayor, the world record-holder in the high jump, are expected to compete next year as professionals for the Madrid-based Laros sports club in a deal with the Cuban Track and Field Commission.

To the boxing people here for the Riddick Bowe-Evander Holyfield heavyweight title fight, the track-and-field arrangement meant only one thing: Can Cuban heavyweight Félix Savon and his Olympic gold-medal teammates be far behind? "I'm going to Cuba next month to explore bringing some of their best amateur fighters to the United States and turning them pro," Lou Duva was saying. "I heard about the track thing about a year ago from my people in Miami."

Savon, a lean and handsome 210-pound heavyweight with a knockout punch, was chosen as the outstanding boxer in the 1992 Summer Games in Barcelona, Spain. The six other Cuban gold-medal boxers were superheavyweight Roberto Balado, middleweight Ariel Hernandez, light-middleweight Juan Lemus, light-welterweight Hector Viant, bantamweight Joel Casamayor, and light-flyweight Rogelio Mercado.

UNTIL THE CASTRO REGIME, several Cuban-born boxers developed into world champions, notably Kid Chocolate, Kid Gavilan, José Nolasco and Luis Rodríguez. Jorge Luis González, who knocked out Renaldo Snipes on the title bout's undercard, has a 17-0 record with 16 knockouts since defecting from Cuba. He had been the heavyweight on the Cuban team that boycotted the 1984 and 1988 Olympics.

Cuba's willingness to allow its track and field stars to earn money as professionals is similar to the former Soviet Union's willingness to let some of its hockey players join National Hockey League teams a few years ago, before the Soviet government collapsed. The Soviet hockey federation received a fee for each player.

DENNIS THE MENACE



To all doctors have to use a hearing aid?

PEANUTS



CALVIN AND HOBBES



BLONDIE



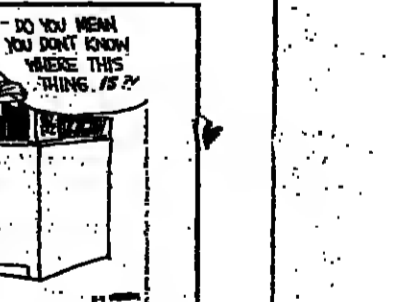
WIZARD of ID



REX MORGAN



GARFIELD



JUMBLE - THIS RESEMBLED WORD GAME. Unscramble these four jumbles. Write down the words. To form four ordinary words.

BEETLE BAILEY - I DON'T KNOW WHAT TO ORDER. THAT STUFF SHE'S EATING LOOKS GOOD.

DOONESBURY - I'M SORRY, BUT I DON'T WANT TO GO TO THE OFFICE.

DOONESBURY - AT DAY ONE, SHE'S FINE. DO YOU WANT ME TO TRY TO SWEATBAND?

REX MORGAN - MY SURGERY IS SCHEDULED FOR TOMORROW MORNING. CAN YOU MANAGE WITHOUT ME?

REX MORGAN - HOW COME THAT WOMAN NEVER GETS ANY SMALLER?

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ART BUCHWALD

Health Care Scrimmage

WASHINGTON — It is no longer a question of whether the Washington Redskins will go in the Super Bowl or not, but whether they will have enough health benefits to carry them through the rest of the season.



Buchwald

The Redskins have sustained so many injuries this year that their medical insurance has run out, and unless the Clinton health bill is passed very soon the team will be playing with no protection at all.

Turning France's Cultural Supertanker

By John Rockwell

PARIS — Any Gaullist successor to the dapper and charismatic Jack Lang would have had an image problem. Jacques Toubon, who got Lang's job as minister of culture after the Gaullist sweep in the March elections, is a balding, round-faced, 52-year-old croupier's son from Nice.



Culture Minister Jacques Toubon (right) with Prime Minister Edouard Balladur at FIAC art fair.

the beleaguered Basille Opéra when Pierre Bergé's presidential appointment expires in 1995. But Toubon is still left adding what seem basically functional decisions — like uniting the administrations of the library construction project and its current management — as bold innovations.

PEOPLE

Diana Draws the Line

Princess Diana is outraged by the publication of "peeping tom" photographs of her working out in a gym and warned that she may sue the newspaper that published them.

The Lebanese-born French writer Amin Maalouf has won the Goncourt Prize, France's oldest and most prestigious literary award.

Another British actress has been chosen to play the role of Scarlett O'Hara, but producers still aren't saying who will play Rhett Butler.

INTERNATIONAL CLASSIFIED

Dividing Menotti's Duties

WASHINGTON — The Spoleto Festival USA has decided to deal with the departure of its founder Gian Carlo Menotti, by not replacing him. Instead, the board split up responsibilities for the annual Charleston, South Carolina, event.

WEATHER

Forecast for Wednesday through Friday, as provided by Accu-Weather. Includes maps of North America, Europe, and Asia with weather patterns.

CROSSWORD

ACROSS 1 Mifortunes, 2 Landlocked African republic, 3 Flashy fellow, 4 Daring deed, 5 Traditional learning, 6 Joans, 7 Reputation, 8 Sarayin title character, 9 Terapichorean Castle, 10 A question from Hitler, 23 Stralls modifier, 24 Tattered-demon's attire, 25 Predecessors of sis, 26 Abandoners, 27 Doctors' gp., 28 Cosmopolitan leader, 29 Major W.W. II Japanese base on New Guinea, 30 Pub orders, 31 A question for Alfie, 32 Withered, 43 Crazy guy, 44 There are 100 in cents, 45 Scattered, 46 Eternally poetic, 47 Sea swallow, 48 Spicy stew, 49 A question from Mrs. Browning, 50 Jason's mate, 51 Knot, 52 Bean-sprouts bean, 53 Forest of the Bard, 54 Journey man?, 55 Vary excited, 56 Expenses, 57 Bases of mess, or qly., 58 Prying, 60 Patreys and baptisic, 61 Part of U.A.R., 62 Objection on the grounds of scruples, 63 Old stoning instruments, 64 Baker's need., 65 Bow's milieu, 66 Well-known literary monogram, 67 Harassers, 68 Badger of the tropics, 69 Paperboy, 70 Po householder, 71 Gets top billing, 72 Fill with delight, 73 Byrd book, 74 Verdun's river, 75 Fall bloomer, 76 Solosons, 77 5000, 78 Honest name, 79 A job for an emerald, 80 Berda in the road, 81 Beams rotten, 82 Illustrious warrior, 83 Hialeah hillside, 84 Pillage, 85 Jean Valjean's creator, 86 Singer-actor David, 87 Seth begat him or gusard, 88 Direct TORING, 89 ALASKA MAORONAS, 90 KEN YANCOOS, 91 GREEKY COCKEREL, 92 HANDLE AIRINESS, 93 ISISIAIVIS, 94 OIGINTIS

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